For Reference

Not to be taken from this room

347629

Every person who maliciously cuts, defaces, breaks or injures any book, map, chart, picture, engraving, statue, coin, model, apparatus, or other work of literature, art, mechanics or object of curiosity, deposited in any public library, gallery, museum or collection is guilty of a misdemeanor.

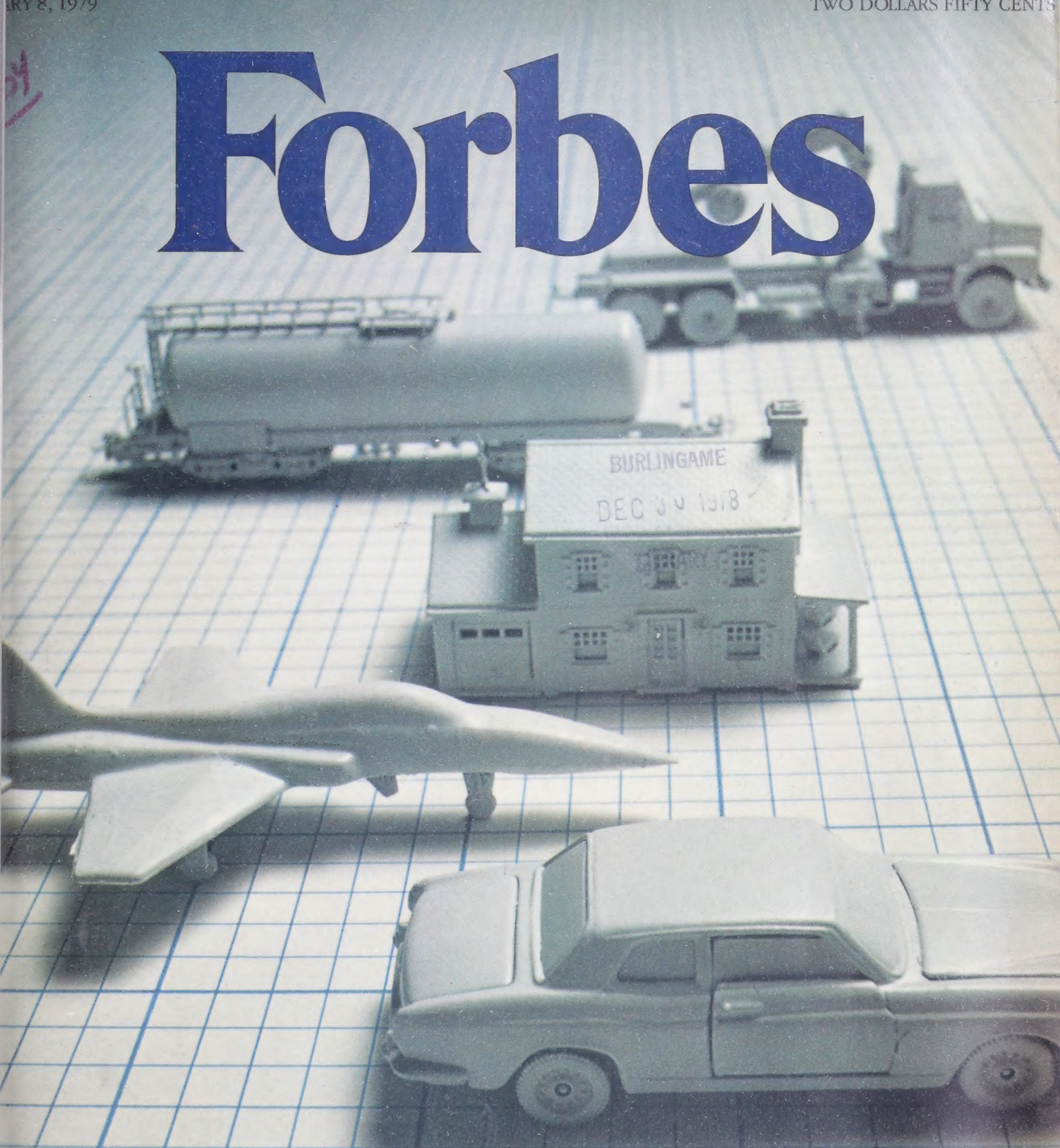
Penal Code of California, 1915, Section 623.

Digitized by the Internet Archive
in 2014

https://archive.org/details/forbes123janforb

RY 8, 1979 TWO DOLLARS FIFTY CENTS

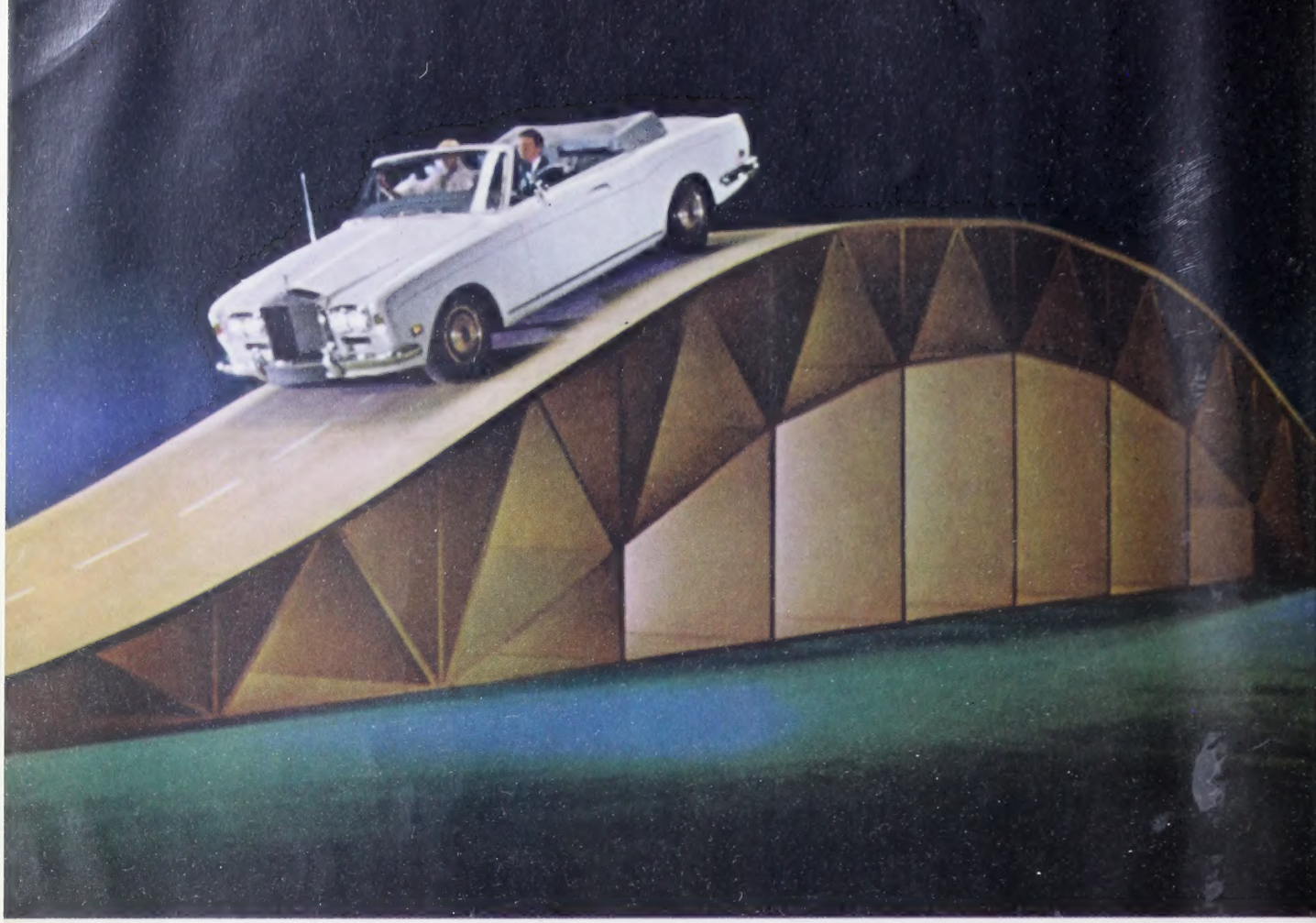
Forbes



31st ANNUAL REPORT ON AMERICAN INDUSTRY

BURLINGAME
DEC 3 0 1978
LIBRARY

21573353 API NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010



We drove this 2½ ton Rolls Royce over a bridge made entirely of St. Regis paper to prove a point

The point is that paper can be stronger than you think. Especially if it's in the form of corrugated box material.

The roadbed of this bridge was made out of six layers of St. Regis triple-wall corrugated–a material we supply a lot of to the U.S. The verticals were made of five layers, and the triangles of four.

Triplewall is made up of three layers of the corrugated "medium" and four layers of linerboard. And it can withstand 1,100 lbs. per square inch of puncture pressure on its side. And on its edge, a 12 x 12 in. piece can take 930 lbs. A mere seven layers of paper!

The strength of corrugated isn't only in the paper itself. It's the structure. The shape of the medium is one of the strongest structures known. In Colonial Virginia walls were built in the corrugated, or serpentine form. And they're still standing today, although they're only one brick thick.

Corrugated box material is a sandwich. A wavy corrugated medium is squeezed between two rollers with meshing teeth. That's the meat of the sandwich. The bread is two layers of heavy paper called linerboard.

Since it was patented in 1871, corrugated has been one of the mainstays of the American distribution system. In fact, the corrugated box is one reason we have the most efficient distribution system in the world.

And St. Regis has had its share of innovations in the field. Partly because we're one of the largest makers of linerboard in the world. And partly because of our tec nology and marketing thrust.

All this reflects the marketing stance of St. Regis toward all our packaging, paper, lumber and constructio products. To use the full weight of our technology in serving our markets and in renewing the forest resource our products come from.

St. Regis—serving Man and Nature.

©COPYRIGHT 1977 ST. REGIS PAPER COMPANY, 150 EAST 42ND STREET, N.Y., N.Y. 10017. ALL RIGHTS RESE

There is nothing gross about profit.

347620

When a large corporation reports a profit, it's fashionable in some circles to blame the corporation and the profit for all the ills of our economy.

Yet, when people prosper from their own hard work, that's lauded as a guarantee of our democratic society.

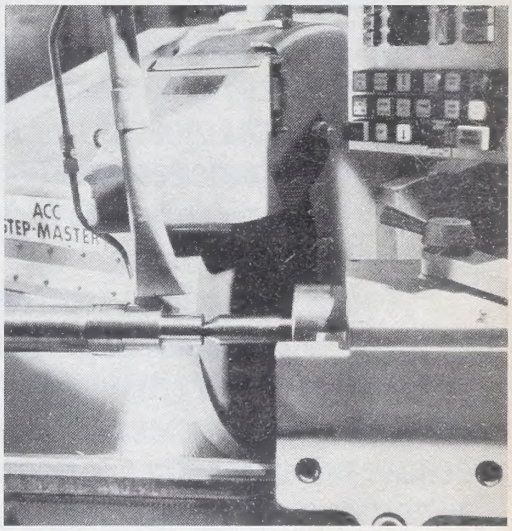
But after all, what are corporations? They are businesses (groups of people) owned by stockholders (more people).

And what happens to that profit? First off, as much as half goes out as taxes. Which eventually end up benefiting the public (people).

About forty per cent of what's left is paid directly to stockholders (more people) as dividends.

And those "retained" profits (which average 3¢ on a dollar of sales) are used to buy new machinery, build new plants and make more jobs for (you guessed it!) people.

If there is anything "gross" about profit, it is the notion that, somehow, the people don't benefit from it.



The Grinding Machine Division's Stepmaster™ computer-controlled grinder automatically grinds multiple shaft diameters, a big improvement in grinding technology.

WARNER & SWASEY

Productivity equipment and systems in machine tools, textile and construction machinery

© 1979 THE WARNER & SWASEY COMPANY Executive Offices: 11000 Cedar Avenue, Cleveland, Ohio 44106

Delta is an air line run by professionals. Like Dot Turnipseed, Ticket Sales Agent.

She has spent most of her 10 years with Delta making telephone reservations. But she loves meeting customers face to face in her job at a downtown ticket office.

Tycoons, tots, globe-trotters and first-timers. She has a warm welcome for everyone.

And Dot doesn't just sell tickets. She finds an earlier flight, a lower fare, an easier connection for her customers. Because when it comes to people, Dot couldn't care more. And that goes for all 32,000 Delta professionals.

Delta is ready when you are.

This is Delta's Wide-Ride L-1011 TriStar with "living room" cabins 8 feet high and 19 feet wide. You fly in quiet luxury.

Forbes

January 8, 1979
Volume 123, Number 1

347620

31st ANNUAL REPORT ON AMERICAN INDUSTRY

This special issue is built around FORBES' own yardsticks of management performance. They are used to measure the performance of the 1,006 largest U.S. public companies, with sales in the latest 12 months of at least $275 million.

Features

The Economics Business
heerful Days In The Dismal Science. If there were no onomists, where would we all go for economic certainty? To gypsies, probably," says one of their number. **34**

The Who's Where Rankings

The FORBES Yardsticks
hat they are and how they are calculated. **40**

Where To Find The Company
n alphabetical index to 1,006 companies in this issue, and a mmary of the yardstick rankings. **41**

Who's Where In The Industry Groups
ow 30 major industries and 82 subgroups compare on the ORBES yardsticks. **244**

Who's Where In Profitability
ow the largest U.S. companies rank in return on equity and turn on total capital. **248**

Who's Where In Growth
ow the largest U.S. companies stack up in sales and earn-gs-per-share growth. **259**

Who's Where In The Stock Market
ow the largest U.S. companies fared in the stock market er the last five years. **267**

The Industry Reports

Aerospace And Defense
Ask not what recession will do to this industry, with both commercial and military markets booming. Ask rather which company will be the late bloomer. **211**

Automotive
The storm warnings are up with strike threats, the need for big spending to meet federal fuel and safety standards in the face of rising interest rates and a possible recession. **224**

Chemicals
While inflation is steaming along at a full 9%, the chemical industry finds it tough going to eke out price increases of 1% and 2%. **204**

Construction
After two glorious years the housing market is turning soft. Will 1979 be a rerun of 1973? Everyone hopes not. **62**

Electronics
With major markets booming, costs generally under control, most electronics companies should show modest earnings gains this year. **154**

Energy
Without price deregulation, the oil industry could go the way of steel and the railroads. Unfortunately deregulation is as politically unpalatable as it is economically necessary. ...**91**

Finance
The prosperity that financial institutions have enjoyed for the past two years is going to be tested in 1979 in a variety of ways. **115**

Food And Drink
Trade down from or trade down to? In a recession it pays to look closely at product lines, even in this industry. 83

Forest Products And Packaging
Wood and papermakers escaped a downturn last year. This year many of them are not likely to be so lucky. 195

Household Products And Apparel
With seriously overextended consumers and the prospect of a housing slump, there's little question that the boom is over for many of these companies. 150

Industrial Equipment
With the U.S. starting to look like the antique shop of the industrial world, capital goods makers may finally get away from the once inexorable cycle of following the economy down. 216

Information Processing
IBM is winning even while it is losing in one of the few major industries that is still showing explosive growth. 230

Leisure
Some companies in this business have forgotten what happened to the grasshopper in Aesop's Fables when the snow began to fall. 129

Metals
This year's recession isn't going to hurt the aluminum industry. Nothing in sight promises much help for the ailing copper industry. 145

Multicompanies
For several compelling reasons—low stock prices and high interest overseas among them—the urge to merge and acquire goes on. 238

Personal Products And Health Care
Are things like yoga and jogging and weight watching bad for business? For some businesses, yes. 99

Retail Distribution
Department stores are dumping inventories, discounters are trying for a new image and retailers are bracing for a slowdown in 1979. 122

Steel
The U.S. had the most profitable major steel industry in the free world in 1978. That wasn't saying much. 108

Supermarkets And Wholesalers
Take your eyes off the basics for one moment in this busine and you're in trouble—especially in a downturn. 13

Transportation
Anyone who thinks deregulation will bring prosperity to t railroads and truckers as it did to the airlines had better thi again. 5

Utilities
The telephone business is getting more competitive; the g business, more gas. But the electricity business is gettin federal regulation. 7

Money And Investments

The Economy
Inflation: Can We Check The Escalation? By the end of 197 inflation should be down to 7% or less and headed lowe True, 7% is still a horror. Nevertheless, the trend will b important. 28

Is Inflation An Illusion? The fact that the distribution income has not changed means that the entire economy i in effect, indexed to inflation. That means that inflatio is easier to bear and less of a distortion than most pe ple believe, but also that it will be extraordinarily hard t stop. 28

Columnists

Ben Weberman 290
Lucien O. Hooper 292
Heinz H. Biel 294
John Train 296
Ann C. Brown 29
Stanley W. Angrist ...30
Martin T. Sosnoff 30
Richard B. Hoey 30

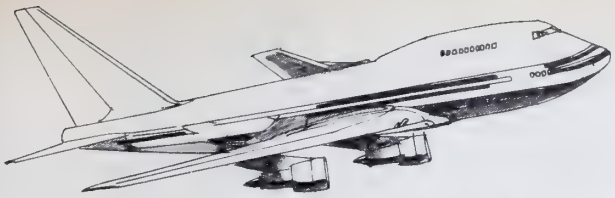
Departments

Side Lines 8
Trends 12
Follow-Through 16
Readers Say 22
Fact and Comment.....2
Other Comments 3
Thoughts.....30

Credits: **Photos**—p. 8, Jerry Frank; p. 12, Shelly Katz; pp. 8 bottom, 154, Michae Evans/Liaison; pp. 16, 226, Wide World; pp. 55, 62, 74, 83, 91, 99, 108, 115, 122, 129, 14 150, 154, 195, 204, 216, 230, photo symbols/Irv Bahrt; pp. 55, 83, FPG; p. 62, Declar Haun/Black Star; p. 71, Tim Kelly/Black Star; p. 90, Jonathan Atkin; p. 91, Photo Research ers; pp. 99, 115, UPI; pp. 100, 105, Leo DeWys; pp. 114, 198, Magnum; p. 204, Sygma; p. 222 Shel Hershorn/Black Star; **Drawings**—pp. 34, 35, 36, 37, Milt Kobayashi; **Charts**—pp. 57, 63 287, Andrew Christie/Matrix Design.

Design Consultant: Peter Palazzo
Art Direction: Roger Zapk
Cover Photo: Irv Bahrt
Photo Research: Marianne Tyrrasch

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave New York, N.Y., 10011. Copyright © 1979 Forbes Inc.



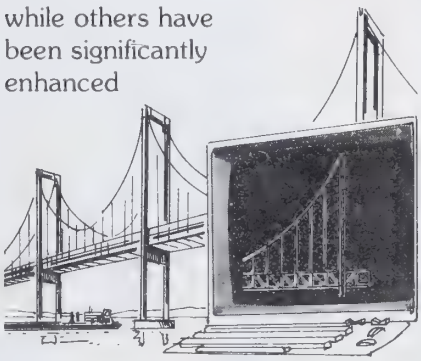
You can have the same computing capability that helps create Boeing airplanes ...from Boeing Computer Services

Capability to help managers manage.

Our newest management system EIS — Executive Information Service — is the most comprehensive program for financial planning, reporting, and control. Customers tell us that EIS gives them a total look at their operation — from personal management planning, departmentally, to complete consolidation of the financial management of the company. Originally created for Boeing's needs, EIS has been enhanced for use by all financial executives. Many companies are now using it, and BCS can make EIS available for your operation.
It's a service that can be tailored to your business yet is flexible enough to grow with business expansion. To respond to the day-to-day business problems — planning, analysis, reporting, forecasting and control — take a look at a responsive management system — EIS.

Capability to help engineers design.

Engineering power like the new STRUDL — an advanced structural analysis package on the CYBER 175 — makes engineering time more productive while cutting computer costs. Other engineering software packages — a complete library from energy systems through project management — provide the opportunity for greater personal engineering creativity and productivity. Use them to take over routine calculations, absorb overloads, and carry out complex analyses. Some of the engineering packages are exclusive, while others have been significantly enhanced



by BCS to provide the newest computerized engineering features. Whether your company is large or small, whether you use computer time interactively or in batch modes, BCS could have the package that fits your engineering program.

Backed with total support.

BCS currently serves 1900 clients and provides more service, more support, and more efficiency than you'll find from most computer service firms.

BCS has the training personnel, the technical representatives, the specialists — in all disciplines — to keep you "on-stream." And, we designed our products to meet customer's needs.

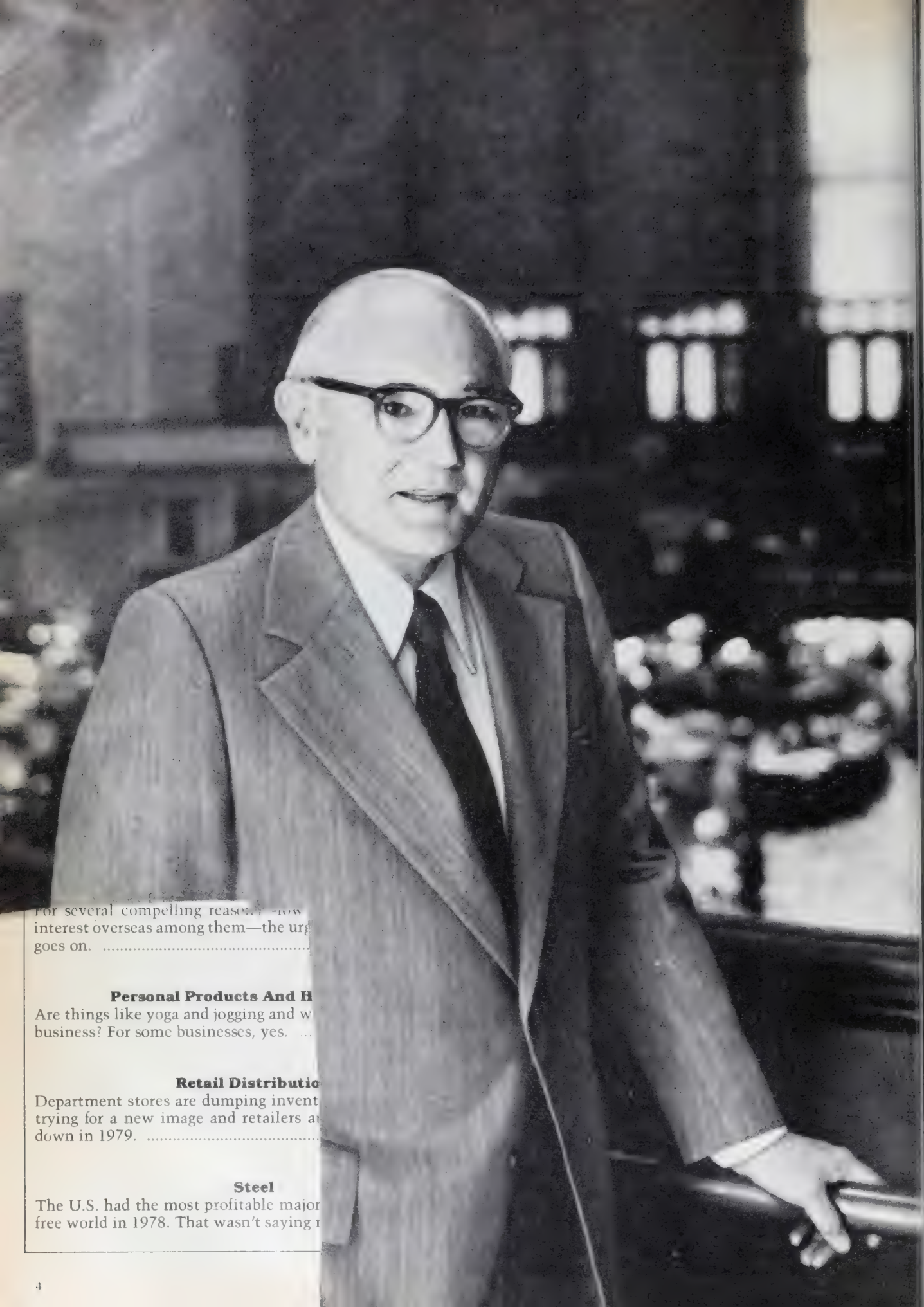
With over $200 million of IBM, CDC, DEC, and other manufacturers' hardware, BCS gives you tremendous computing capacity and productivity improvement capability. And, having one of the world's largest, privately-owned communications networks, you get fast access — from your office or in one of ours in 80 cities.

Elements for your success.

When you need financial problem-solving, specific engineering programs, commercial bank and thrift institution services, data processing software, or sheer machine capacity, there's a wide range of capabilities available from BCS — a competitive, full service company. For an immediate consultation on your problem, call or write W. Thomas H. MacNew, Director of Marketing Communications at (201) 540-7722, Boeing Computer Services Co., 177 Madison Avenue, Morristown, N.J. 07960.

inancial reports,
nental Corporation,
den Lane, New York,
).

TINENTAL
PORATION
:inental that means insurance.



For several compelling reason[illegible] -now
interest overseas among them—the urg
goes on. .....

Personal Products And H

Are things like yoga and jogging and w
business? For some businesses, yes. ...

Retail Distributio

Department stores are dumping invent
trying for a new image and retailers a
down in 1979. .....

Steel

The U.S. had the most profitable major
free world in 1978. That wasn't saying

"The Continental Corporation has paid continuous cash dividends for 125 years. That's longer than all but a dozen companies on the Big Board."

John B. Ricker, Jr., Chairman and President

"Since 1853, The Continental Corporation has paid cash dividends every year. And that's a record surpassed by only twelve of the almost 1600 companies listed on the New York Stock Exchange.

"With that kind of history behind us, our task, of course, is to make the future fit the past—a job we work at every single day.

"What exactly are we? Basically, I guess you'd have to call us a holding company for insurance concerns. A lot of insurance concerns. In fact, in property and casualty insurance we're the seventh largest American company.

"Although the major portion of our revenues comes from property and casualty operations, we're stepping up our activity in life and health insurance, international insurance and reinsurance, and financial services. Put them together and you can see why, with over $6 billion in assets, Fortune ranks us as the tenth largest diversified financial corporation.

"What's more, we're performance-minded. In 1977, we reported record results—in revenues, income, assets and shareholders' equity. Revenues were up to $2.8 billion, while operating income rose to $250 million. And operating income for the first nine months of 1978 continued at an all-time high, up 26% over the same period in 1977.

"But our operations tell only part of the story. With prudent management, net investment income from our $3.8 billion portfolio has more than doubled over the past seven years, amounting to $240 million in 1977. And it's up again in 1978—22% for the first nine months.

"Of course, one of our primary goals is to live up to our responsibilities to our shareholders. Our continuous cash dividend payout record speaks for itself. And since 1960, we've increased our dividend 13 times. Over a ten year period ending in 1977, we've shown a 10.4% average total return to investors.

"That kind of record pushes all of us at The Continental Corporation to get on to even bigger and better things. For instance, we've recently moved to take full advantage of the new Insurance Free-Trade Zone in New York, the first of its kind in the U.S."

For our latest financial reports, write The Continental Corporation, Dept. C, 80 Maiden Lane, New York, New York 10038.

THE CONTINENTAL CORPORATION

The Continental that means insurance.

Forbes

Editor
B.C. Forbes

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr.
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver, Steven Markman
Washington Bureau: John M. Berry, Manager; Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager; Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Arline H. Meltzer, Manager; Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Timothy J.Newcomb, Assistant Directors; Nikki Frost, Cheryl Wiesenfeld, Photo Researchers
Columnists: Heinz H. Biel, Lucien O. Hooper, Thomas P. Murphy, Stanley W. Angrist
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Lataniotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President-Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher C. Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff,Mgr.; Arnold J. Prives, Fin. Adv. Mgr.; H. Duncan McMillan, Co-Dir. Spec. Proj.; George C. Clissold, Donald W. MacDonald, G. Croft Henry, Charles S.Thorn Jr., John A. Wilson, Richard Calkins Dir. of International Adv.: James W. LaCirignola
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Mgr.
Chicago: 435 N. Michigan Ave., 60611 Richard W. Reynolds, Mgr.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Mgr.
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Mgr.; William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Mgr.
San Francisco: 625 Market St., 94105, John B. Cunningham, Mgr.
Classified: Sarah Madison
60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-675-7500

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Our new assistant publisher

There's a brand new name—and another Forbes—on the masthead. The addition is Christopher C. (Kip) Forbes, 28, who has been promoted to vice president and assistant publisher of Forbes magazine. In his relatively brief working career, Kip has played quite a number of interesting and impressive roles.

For the past two years, Kip was the publisher of *Nineteenth Century*, a quarterly magazine produced by Forbes Inc. on behalf of The Victorian Society in America. This beautifully presented periodical portrays the arts and cultural artifacts of the era between 1790 and World War I. This month, The Victorian Society takes over its publication. Under Kip, *Nineteenth Century*'s advertising volume increased impressively; its editorial content won praise from art scholars, collectors and dealers.

Kip graduated with high honors in art history from Princeton University 1972. Recently, he wrote a book Hermione Waterfield on Forbes m zine's extensive collection of the w of Peter Carl Fabergé, jeweler to the sian Imperial Court in the late 19th early 20th centuries *bergé: Imperial Eggs Other Fantasies*, Scribn $19.95). This lavishly lustrated book has ent a second printing.

Kip Forbes, Margaret Kelly
New assignments.

As assistant to Publ er James J. Dunn, Kip now be working chi on the advertising sid this magazine. He's stranger to the ad ga before taking over the magazine, he worked several years as a For advertising salesman.

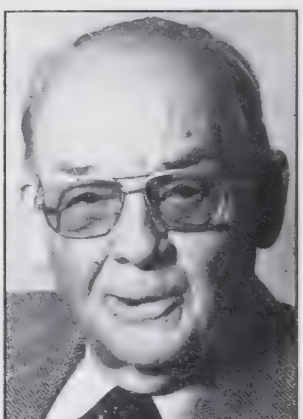
Taking up Kip's tas curator of Forbes' ex sive art collection wil Margaret Kelly, who been *Nineteenth Century*'s general m ager and who has a masters degree in from New York University's Institut Fine Arts.

Goodbye, but not farewell

One evening in the summer of 1949, Malcolm Forbes, then assistant publisher of this magazine, met a knowledgeable, articulate securities analyst. Impressed, Forbes asked Lucien Hooper to write a column of financial advice. In his autobiography, Hooper thus described the results:

"Forbes at that time had a circulation of about 65,000. . . . I was becoming connected at the right time with a magazine which was about to grow rapidly in reputation, influence and profitability."

Forbes' circulation increased tenfold in the decades that followed, and Lucien Hooper became both friend and counselor to several generations of businessmen. Nevertheless, he was no overnight wonder, but already a wise and experienced investment man when he came to Forbes. Born on a Maine farm in 1896, he went to Harvard and thence to newspaper reporting, financial writing and Wall Street. In Hooper's first Forbes column *(Aug. 15, 1949)* he warned readers not t taken in by investment fads (". . . re shrewd buyers anticipate vogues inst of buying into them"). For three deca Lucien Hooper has been dispensing c mon sense. If the stock market was r ning away on the upside, he would cou caution; when panic vailed, he would cou against despair. Inv ment gimmicks and vestment "geniuses" their brief moments on stage, but Hooper's ca Yankee wisdom remai as valid and useful as ev



Lucien Hooper
Thirty years of advice.

Everything ends. A this issue, in order to lig en his work load at Lucien Hooper will ce writing his Forbes c umn. But we emphasi He is *lightening* his lo not shedding it. His adm ers will have a chance to how sharp and vigorous still is when he appears television's *Wall Street Week* Jan. 12. A Lucien will continue to serve his dozen clients as a vice president of the respec Thomson McKinnon Securities. "I exp to be on the job for a long time," he s cheerfully. ■

MAI presents the world's second greatest writer.

If William Shakespeare, the world's greatest writer, could be interviewed today you might hear something like this:

Interviewer: Sir, what would you write about today?
WS: About two plays a week.
Int.: How could you do that?
WS: I would use MAI's extraordinary Wordstream™ word processing system.
Int.: But isn't that for speed and accuracy in *business* communications?
WS: Yea, verily—but it beats a quill pen! It's the system that works with push-button simplicity to help writers, as well as businessmen, avoid a comedy of errors. Your completed work is always perfect, so all's well that ends well.
Int.: Then you would call MAI's Wordstream system...?
WS: ...the world's *second* greatest writer!

Thank you, Mr. Shakespeare, but simplifying computer technology for *business* is really what MAI is all about.

Our Basic Four® computer systems are acclaimed for their simplicity of operation by small and large businesses alike, the world over.

Our Sorbus subsidiary, thanks to innovative and simplified techniques for the repair and maintenance of all types of data-processing equipment, has become the nation's largest third-party computer service network.

If you would like to know more about the MAI companies, and the extent of our manufacturing, sales and service operations here in the U.S. and in over 30 countries internationally, please send for our Annual Report and other literature.

It takes a smart company to make computer technology simple.

MAI

Management Assistance Inc./300 East 44th Street/New York NY 10017

The MAI Companies: Basic Four Corporation • MAI International Corporation • Sorbus Inc. Wordstream Corporation • Wordstream Products Corporation

OUT

THE OVERWEIGHT OFFICE.

Kodak microfilm can trim paper fat and reduce paper-handling costs significantly. How? By stemming the flow of more and more paper into your office filing systems.

We realize that a modern office can't function without its minimum daily intake of paper. But adding more paper just means adding more flab to filing systems. And a flabby filing system means more time spent filing, retrieving, and sometimes misfiling important papers.

That's why you should look into the Kodak Reducing Plan. It can cut down your paper intake and reduce paper-handling costs significantly. How? Through microfilming, key element in the Kodak Reducing Plan.

Of course, like all reducing plans, ours requires a little will power. Like taking time out right now to clip the coupon. Want to get your office back into fighting trim? The first place to start cutting is right here on this page.

Kodak

The Reducing Plan
Kodak Microfilm

Eastman Kodak Company
Department DP9529
Rochester, New York 14650

☐ Please send me more information about the Kodak Reducing Plan.
☐ Please have a Kodak representative call to arrange a free survey of my office filing system

Name

Company

Title

Address

City

State & Zip

Phone

Trends

Edited By John A. Conway

Snow warning

The railroads that were paralyzed by last winter's brutal weather—"devastated" is the word used by Interstate Commerce Commission Chairman Daniel O'Neal—will be getting some extra help. The ICC is gearing up its own weather information service for lines in 30 states, reaching from New England to the Rockies and south into West Virginia, the hardest hit areas last year. The plan is to give roads and shippers daily snow bulletins which would guide them in adjusting schedules to meet impending storms. When tracks are blocked, the commission will dispatch extra agents from its offices to help supervise loading and unloading and, if need be, the ICC will invoke its emergency powers to stop or reroute freight. The ICC will get its basic data, even as you and I, from the National Weather Service.

The mouse that roared

Poet Bobbie Burns sang of the mouse as a "wee, sleekit, cow'rin', tim'rous beastie," but to Pacific Gas & Electric the beastie is a billion-dollar bugbear. The big West Coast utility has plans for two new generating plants in the San Francisco Bay area at the confluence of the San Joaquin and Sacramento rivers. One, coal-fired, is slated to cost about $2 billion; the second, on the other side of the water, will burn low-sulfur oil and the company has ticketed $863 million to build it. But it has been discovered that the swampy stretch surrounding the meeting of the rivers is the habitat of the salt-marsh harvest mouse, known to zoologists as *Reithrodontomys raviventris halicoetes* and, more importantly, listed officially as an endangered species. The law is unequivocal: Nothing, but nothing, can be allowed to harm an endangered species. So, in addition to its other expenses for the two plants (which the company says must be built or the Bay Area faces blackouts by 1985), PG&E is now considering the possibility of creating new marshes to replace the land used for the building sites. That, it hopes, will placate the environmental authorities and, of course, the *Reithrodontomys raviventris halicoetes.*

Corruption confusion

Patience will have to be the watchword for businessmen who have been awaiting some kind of official guidance on what they may and may not do under the 1977 Foreign Corrupt Practices Act, which is designed to outlaw bribes, "improper" commissions and other shenanigans in international trade. Many corporations, particularly among the multinationals, have been pressing for such help, charging that its absence was forcing them simply to forego dealing with countries where such practices are a way of life. The Commerce Department, which is charged with promoting U.S. exports, was equally upset. Congress did not order any guidelines for the Corrupt Practices Act (as it had for the Arab boycott law), but last September President Carter did direct the Justice Department to prepare them. Justice has demurred, primarily because it does not want to tie itself down on what it chooses to prosecute in the future. The delay, however, does not mean that nothing is happening. M Richard, chief of the fraud sectior Justice's criminal division, is workin what department spokesmen describ a brochure that, it is hoped, will solve problem. This is due for publication the early months of 1979 maybe.

Home, sweeter home

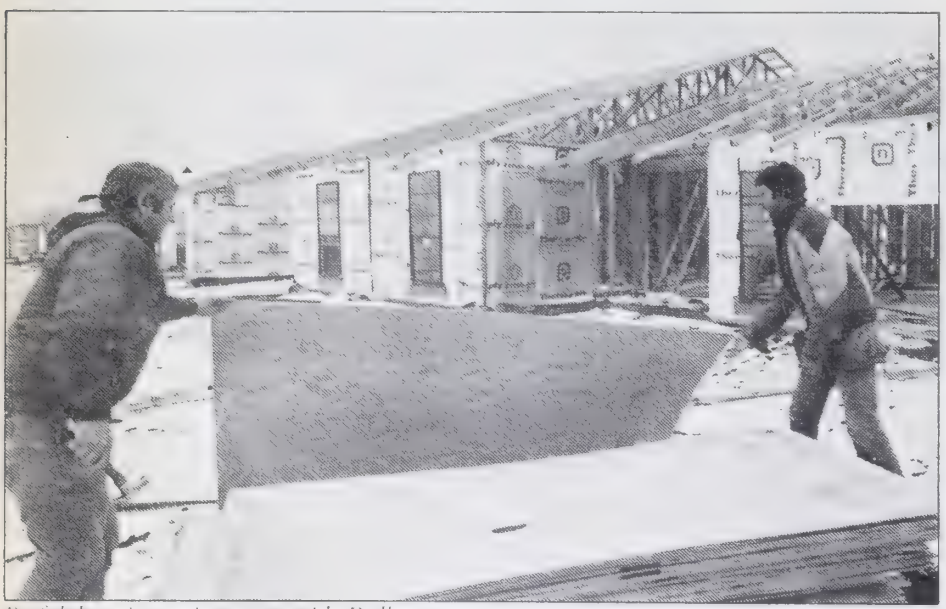
Soaring home prices may have becon cliché, but there is more to the incre than inflation. One factor is that bu today want more house than in for years. Thomas H. Harter, chief ecc mist for the Mortgage Bankers Ass ation, points out that between 1970 1977 the median area for new one-fan homes went from 1,510 to 1,720 sq feet. Other changes noted by Har During the same period, the percent of new houses with two or more b rooms jumped from 48% to 70%; th with dishwashers went from 42% 82%; homes with fireplaces increa from 35% to 61%; even those with rages moved from 58% to 68%. Des the climb in prices—and interest rate Harter expects demand for new home remain strong until at least 1989, cause the number of Americans in 25-to-34 age group will grow.

You can't win

A cool reception is in store for that p posal by Robert H. McKinney, heac the Federal Home Loan Bank Board, give savings and loan associations m leeway in competing with banks. T idea is to let the savings and loans set new savings accounts, called paym order accounts, that customers can to pay bills. The purpose was to offset least in part, the new authority gi banks to transfer money from savings checking accounts and cover overdra The American Bankers Association c McKinney's plan a "pig in a poke" a suggests dropping it, at least until furt study. And even the U.S. League of S ings Associations, voice of the S& thinks its members will have to be lowed to pay higher interest rates on new accounts. Otherwise, it says, th will be "second rate."

A vote for Wall Street

The zig-zagging stock market got other vote of confidence on Wall Stre The Boston-based Fidelity Group, for first time in more than ten years, bringing out a new equity fund. T Group, with 18 mutual funds already the market, calls this one Fidelity As Investment Trust. The strategy will be



Prefab housing going up outside Dallas
Prices may be higher but there are more garages, more fireplaces and more room.

WHEN WANG TALKS IBM LISTENS.

(and so do Honeywell, Burroughs, DEC, UNIVAC, H.P., and Data General)

That's because when Wang systems "talk" they employ industry standard data communication procedures. Fact is Wang's computers and word processors are talking to other systems around the world. Our broad range of interfaces allows our systems to be integrated into a wide variety of corporate computer networks.

Wang data communication capabilities are designed and developed uniformly across both computer and word processor product lines. This approach to standardized communications means Wang systems can "talk" to a variety of computers, and you can conveniently combine Wang Computers and Word Processors into distributed networks.

Wang's communications allow our users to build systems in distributed processing, electronic mail and remote data entry environments. Wang systems offer multiple data communication protocols including: IBM 2780 3780, HASP, 3275, along with TTY among others.

Wang is the 2nd largest manufacturer of small business computers. A large number of these systems employ industry standard, high performance data communications to expand their efficiency in distributed data processing applications.

An increasing number of large corporations are finding Wang communicating word processors the key to office automation. During the first six months of availability, Wang Communicating Word Processing Systems were ordered or installed by twenty of Fortune's fifty largest corporations.

If your EDP requirements include data communication networks of modern distributed systems—both computers and word processors, then take a look at a company with years of data communications experience on all its industry leading systems. For more information mail this coupon to Wang Laboratories, Inc., Lowell, MA 01851, or call (617) 851-4111.

WANG

I am interested in more information on Wang Data Communication Systems!

☐ Small Business Computers ☐ Data Entry Systems
☐ Distributed Data Processing ☐ Word Processing
☐ All Wang Products

NAME: _____

TITLE: _____

COMPANY: _____

ADDRESS: _____

CITY/STATE: _____ ZIP: _____

DP87/FB19

Wang Laboratories, Inc., 1 Industrial Avenue,
Dept. 75/Data Communication Products, Lowell, Massachusetts 01851

Join the Club.

British Airways new Club Class with Elizabethan Service™ for the full-fare economy business traveller. Your own special cabin—usually with fewer seatmates (most likely business people like you). Ergo, more peace and quiet to work undistracted. Or to rest and recharge. Your own Club Class Elizabethan Service—special meals, free bar, free movies. (Of course, all you First Class travellers still have your own cabin, with First Class Elizabethan Service.)

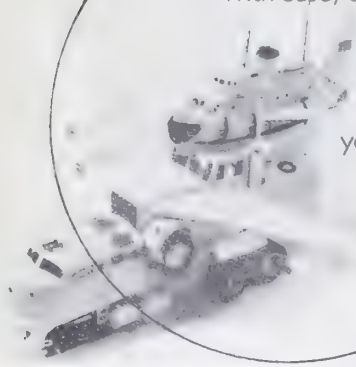
Call your Travel Agent, Transportation Department, or British Airways, and tell them you want to join the Club. Say Robert Morley is backing you.

British airways

We'll take more care of you.

The Tennessee Troat.

Part truck, part train, part plane, part boat. The "Troat" moves in and around Tennessee with ease, because Tennessee has one of the most elaborate networks of roads, rivers and rails in the Nation. And being near the center of population in the United States makes access to your market the best in the Country.



Tennessee.

Getting around is easy.

For more information: Call (toll-free) 1-800-251-8594 or write Fred Harris, 1021-O Andrew Jackson Bldg., Nashville, TN 37219

Trends

invest the no-load fund's money in c panies whose market prices, in Fideli judgment, are low in relation to b value. Inflation and the market's ove performance, says Fidelity Vice Pr dent Dorsey R. Gardner, have pus many issue prices far below their a worth. For example, for the companie the Dow Jones industrial average, G. ner notes, the ratio of book value market price is close to its lowest p in 40 years. The Group's approach, G ner says, comes straight out of W Street's bible, *Security Analysis*, the cla work by Benjamin Graham and Da Dodd. Fidelity plans to get away fr earnings growth, price/earnings ra and dividend yields, and to concentr on such factors as asset replacement ues, potential earnings turnaround better return on assets.

Detroit's dreams

The annual forecasting derby in Det is under way. General Motors Chairm Thomas A. Murphy is repeating his b ish prediction of last year and sees 1 million industry sales for the 1979 m els. Henry Ford II predicts a more mod 14.8 million in car and truck sales, the experts in the Commerce Dep ment are saying 14.9 million. Who w win? GM President E.M. (Pete) Estes l a word of caution for those reading D troit's form charts. Commenting on boss Murphy's success with his 19 forecast, Estes noted that "prophecies the automobile business are pretty mu self-fulfilling." In other words, Murp knows that he can always rely on t number one automaker's massive sa force to help make his dreams come tr

The Olympic spirit

The Kremlin has taken another sm step into the automotive age. Gearing for the hordes of visitors expected for t 1980 Olympic Games in Moscow, t Russians have decided to add at leas few service stations to its rudimenta road net. The European half of t U.S.S.R., where most of its citizens li boasts a total of just 350 servic- statio the U.S. has a total of 171,300 gas s tions. Last month, Moscow quiet signed a deal with West German Daimler-Benz to staff 13 strategically l cated service stations with factor trained mechanics, and to operate a fl of emergency vehicles. The Merced manufacturer says it hopes to make modest profit and, a deadpan spokesm adds, "in keeping with the Olympic sp it, our aid will not be confined to Me cedes vehicles." ■

Guaranteed overnight package service.

It doesn't just mean you can get your money back. It means you won't have to.

Next Day Express Mail guarantees* overnight service by 10 a.m. Or your money back. All of it.

But we know you really want to get your package there on time. Not to get your money back.

This guarantee is our straightforward demonstration of confidence. After all, we handle millions of packages that have this guarantee. So you better believe we're going to be on time.

All you have to do is to get your package to an Express Mail Post Office before 5 p.m. Anything mailable, up to 70 pounds.

We'll get it to the destination Express Mail Post Office ready to be picked up as early as 10 a.m. the next business day.

City to city, Post Office to Post Office, by 10 a.m. Guaranteed.

What does it cost? A lot less than you'd think. For example, it's only $8.50 to get a 5-lb. package from N.Y. to L.A.

For about two dollars more, we'll deliver it right to their door by 3 p.m. If not earlier. Weekends and holidays, too.

We've got over 1,600 Express Mail Post Offices in over 1,000 cities. Look in the Yellow Pages under Air Cargo for the Express Mail Post Office nearest you.

Got something to ship in a hurry? Ship it Express Mail.

With our guarantee, we have to be tough on ourselves. And that makes it easier on you.

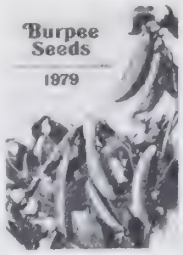
EXPRESS MAIL®
NEXT DAY SERVICE

*Our guarantee: 100% refund of Express Mail postage upon application at origin if mailed by 5 p.m. at an Express Mail Post Office and not available for claim at a destination Express Mail Post Office by 10 a.m. next business day or delivery not attempted to addressee by 3 p.m. of the next day (unless delayed by strike or work stoppage). ©1978

U.S. Postal Service

BURPEE SEEDS GROW Burpee's BURPEE SEEDS GROW
new 1979 Seed Catalog-FREE

Featuring new exciting vegetable and flower varieties for the home gardener.



The new 184-page Burpee Catalog is a comprehensive planting and growing guide with over 1800 vegetables, flowers, fruits, shrubs and trees. Plus helpful hints from Burpee's horticulture experts on how to have a more productive garden. Send for your free copy today.

If you ordered from Burpee last year, you will automatically receive your free Burpee catalog in 1979.

© Burpee Seed Co. 1979

BURPEE SEED CO.
1639 Burpee Bldg., Warminster, Pa. 18974; or Clinton, IA 52732; or Riverside, CA 92502
(Please mail to nearest address)

Yes. Please send me the 1979 Burpee Seed Catalog FREE.

Name _____ (Please print)
Address _____
City _____
State _____ Zip _____

CHANGE OF ADDRESS
If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION
To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).
Canadian orders, add $4 a year.
Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)
New Address:
City
State Zip
F-4826

Follow-Through

Thirty years of change

On a cold, clear day in January 1949, Harry S Truman took the oath as the 32nd President of the United States and, in effect, assumed command of the Free World. The American dollar then was not just the dominant currency; it was the only strong one. Militarily, the U.S. loomed even larger, with the only existing nuclear weapons locked in its arsenals. The U.S. economy, the machine that had powered the Allied victory in World War II, was helping to rebuild a world that war had shattered. Two of the four policy points listed in Truman's inaugural address were based on the economy. The U.S., he said, was dedicated to "world economic recovery," and he called for a "bold new program" to make "the benefits of our scientific advances and industrial progress" available to the rest of the world.

That same month, FORBES *(Jan. 1, 1949)* undertook its first Annual Report on American Industry, a broad-gauge study of the economy Truman wanted to harness for global recovery. Both the President and the magazine were dealing with a far simpler world. The U.S. gross national product then was $258 billion; in 1979, GNP has to be measured in trillions. The Marshall Plan was just beginning to help rebuild Western Europe. Germany lay in ruins, and as Truman took his oath American planes were flying in food and fuel to keep Berlin alive. Japan was still ruled, economically and politically, by Douglas MacArthur.

Thirty years later, with the dollar taking a global beating, the U.S. is selling German banks billions of deutsche mark-denominated bonds to bolster it, the t public issue of U.S. securities in a fore currency. Washington and Tokyo are tering 1979 locked in hard bargainin the U.S. tries to slow the flood of Japar imports that has brought cries for h even from the American steel industry 1949 steelmaker to the world.

That first FORBES survey posed questions for the ten major industrie examined. Some are valid today; oth sound naïve. "Will radio's lusty offspr television," it asked, for example, "str a death-blow at its still youthful paren FORBES didn't think that would happe but for the wrong reason. The rep noted the limited range of TV signals, high cost of programming for video other drawbacks. The caution m sense in 1949, when 100 million Am cans tuned in to Truman's Inaugural— radio. Television, however, did go swiftly to overshadow its "still youth parent" and to siphon off the major sh of broadcast advertising revenues. St today, the U.S. has about 5,000 ra stations in the AM band alone, and Federal Communications Commiss will ask the World Administrative Ra Conference for enough additional quencies to put 800 more commer AM stations on the air.

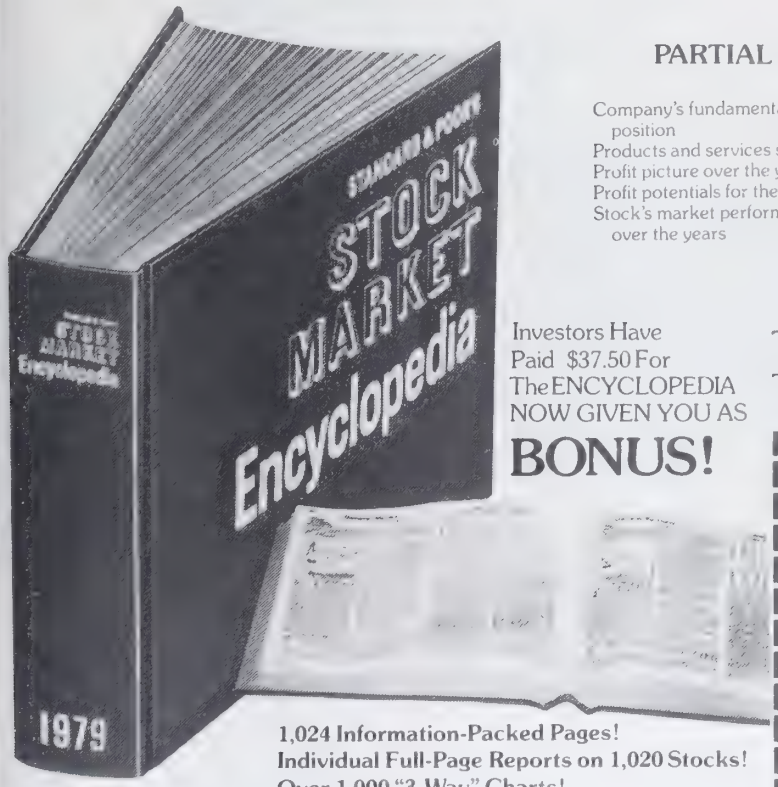
The 1949 FORBES analysis was as beat on the nation's railroads as it reserved about TV's success. Again, without reason. The 1949 figures for rails read like the timetable to the Pro ised Land—operating revenues of $ billion, freight revenues up 13%, 100,(new freight cars added during the y and close to 10,000 new ones joining fleet each month. Those numbers hel

1949: Harry Truman takes his oath of office from Chief Justice Fred Vinson
For businessmen, some thirty-year-old questions won't go away.

Announcing Standard & Poor's $37.50 Bonus to Investors!

THE NEW 1979 STOCK MARKET ENCYCLOPEDIA

The Results of Standard & Poor's Multi-Million Dollar Research Over The Years Into The Investment Merits of 1,020 Common Stocks Published in ONE Comprehensive, Easy To Use 1,024-Page Reference Volume! This authoritative 1979 STOCK MARKET ENCYCLOPEDIA contains, we believe, more significant information on a greater number of stocks than has ever before been assembled between the covers of one book. Comprehensive reports on 1,020 widely traded stocks...tens of thousands of important investment facts that answer practically any question you may have regarding a stock...over 1,000 individual stock charts...an invaluable addition to your investment library. We want you to use it and profit from its use in conjunction with a 10-week $24.50 trial of Standard & Poor's famous weekly Investment Service, the OUTLOOK – and not pay us one additional penny for this $37.50 volume! If at any time during this period you feel you are not getting many times your money's worth from the weekly OUTLOOK, cancel it and receive a prompt refund on the unused part of your subscription. You keep the ENCYCLOPEDIA regardless.



1,024 Information-Packed Pages!
Individual Full-Page Reports on 1,020 Stocks!
Over 1,000 "3-Way" Charts!

PARTIAL CHECKLIST OF VALUABLE CONTENTS

- Company's fundamental position
- Products and services supplied
- Profit picture over the years
- Profit potentials for the future
- Stock's market performance over the years
- How much profit per dollar of sale
- Current assets and current liabilities
- What is capitalization
- Recent developments affecting company
- Trading volume of stock
- Comprehensive dividend data
- Current outlook and prospects for leading stocks
- ...and
- Much, MUCH MORE!

Investors Have Paid $37.50 For The ENCYCLOPEDIA NOW GIVEN YOU AS **BONUS!**

There is only *one* thoughtful choice.
There is only ONE Standard & Poor's.

MAIL COUPON TODAY

Standard & Poor's Corporation
345 Hudson Street, New York, N.Y. 10014

Please enter my tax deductible 10-week Trial Subscription to the weekly OUTLOOK, and bill me only $24.50. Include the $37.50 BONUS 1979 STOCK MARKET ENCYCLOPEDIA at no extra cost. If at any time I wish to cancel my subscription, I will receive a pro-rata refund on the unused portion. The ENCYCLOPEDIA is mine to keep in any event.

☐ Check enclosed. ☐ Bill me later.

NAME

ADDRESS

CITY

1979 FORD LTD

INTRODUCING A NEW AMERICAN ROAD CAR.

D Landau 4-Door Sedan

More front seat room
More rear seat room
More handling ease
More window area
More driver convenience
.than the 1978 LTD.

he 1979 LTD was engineered to ake driving on today's American oads a pleasure. With a new com ination of roominess, handling ase and driver convenience for the TD. This new LTD is a beauty.

This year's LTD has been designed with more passenger room inside to help give you comfort on even the longest trips—with more head room, leg room and shoulder room—front seat and back—than last year's LTD. Yet the new LTD is actually easier handling and easier parking than before, even in tough city traffic.

In addition to its standard 5.0 litre V-8 engine, the full-size 1979 LTD offers you an impressive list of standard features, in 2-door, 4-door and Wagon models.

Ford LTD for 1979. A New American Road Car designed to take you across town or across the country in full-size roominess. See your local Ford Dealer, and test drive the new LTD on your own roads.

LTD Landau 2-Door Sedan

FORD LTD

FORD DIVISION Ford

Follow-Through

lster FORBES' conclusion that "in spite their troubles . . . the railroads today ok like an industry which can solve its oblems given continuing good business d a fair break by the government." nfortunately, the break, when it came, as almost all bad. *Sic transit* business ecasting.

Riding the tide of postwar demand, men in 1949 were battling to overcome "shortage" psychology and FORBES uld say, in those dear, dead pre-OPEC ys, "There's no shortage of oil—domes- proved reserves are the highest in story. The story, worldwide, is the me." The concentration was on the mestic side of the petroleum indus- —the only cloud FORBES could spot as "the question of the armed forces' quirements." Expectations were for an er-increasing flow of oil and FORBES ated in a comment that seems ironic day: "If the Middle East oil program velops as scheduled, pressure upon this untry and the Western Hemisphere ll be materially eased." And even if the supply should dwindle, the 1949 report ted, ongoing research into synthetic els, coal-into-oil conversion, recovery shale oil and other projects would be ere to fill the gap. Those substitutes are ll out there somewhere, but the U.S. ll has to get them into automobile gas nks and industrial boilers.

The skies belonged to the U.S. in 1949 d the country's war-born aviation in- stry, in FORBES' view, had bounced ck from its low-level years of 1946 and 47 with blue skies ahead. The industry as powered, however, by Pentagon or- rs and the report wondered whether rcraft manufacturers would need "an- her war-inspired shot in the arm to ep from plummeting to new lows." istory and the worldwide explosion of travel have answered those doubts. oeing was still losing money as 1949 ened, even though it boasted the big- st backlog of unfilled orders for any rcraft company, about $450 million. oeing is soaring into 1979 with a back- g in billions and the payload is in com- ercial jet aircraft, not warplanes.

Thirty years, particularly three de- des as tumultuous as those since 1949, ould make any forecast sound in retro- ect as quaint as Nostradamus. An in- resting commentary on FORBES' first rvey is how persistent some of the estions it posed have proved to be. Will house scarcities and high prices ntinue" to plague construction, for in- ance, is still as timely as today's weath- So is wondering whether the utilities n "continue to keep revenues above penses, without rate increases." ■

THIS IS ALL IT TAKES TO COLLECT MANY PAST-DUE BILLS.

GC Services Corp., America's most progressive national collection service, has collected over three million delinquent accounts. Chances are we've already collected from many people who owe you money today. And we can get started on your past-due problem for 28¢ per account plus postage, with no contingency fee . . . you keep the entire remittance. If the price sounds right, let's get together. Use this coupon or phone M. D. Peters at (713) 777-7666.

GC Services Corp.

Dept. F, 6330 Gulfton, Houston TX 77081
(713)777-7666.

Please contact me about your collection services costing 28¢ per account plus postage, with no contingency fee.

Name _____

Company

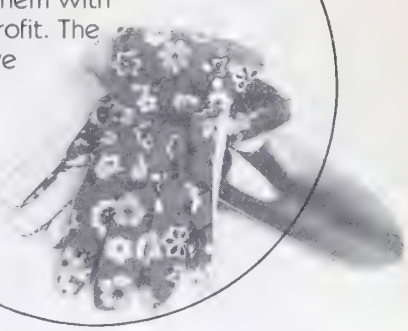
Address

City ___ State Zip

Phone ( )

In Tennessee, we grow our own.

Many new industries are moving to Tennessee, yet two thirds of our industrial growth comes through expansion of existing industries. The Enterprise Development Division works strictly with these existing businesses, assisting them with programs to help them grow and profit. The way we look at it, getting you to move to Tennessee is only one third of the job. The other two thirds is helping you grow after you've planted yourself.



Tennessee.

Plant yourself in fertile ground.

For more information: Call (toll-free) 1-800-251-8594 or write Fred Harris, 1021-O Andrew Jackson Bldg., Nashville, TN 37219

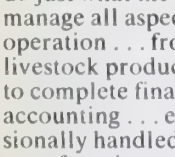
If you own farmland, you've got a good investment

Doane can help you make it even better!

How? By making sure your operation is running at peak efficiency, producing up to its potential, and that crops and livestock are marketed at optimum profits . . . through professional farm management. And, that's where Doane comes in. Over 1,300 farm and ranch owners across the country rely on Doane to manage their properties . . . owners whose main interests are protecting their investment and increasing their profits.

Doane's Farm Management Services do just what the name implies -- manage all aspects of a farming operation . . . from crop and livestock production and marketing to complete financial budgets and accounting . . . every detail professionally handled to make sure that your farm investment is producing up to your expectations.

Find out how Doane can help you make your farm investment even better. Write or call today. We'll be glad to send you, at no cost or obligation, more details about Doane's Farm and Ranch Management Services . . . plus a free copy of our **Farm Profitability Worksheet** -- a handy form to help you determine the present profit status of your farm.



DOANE®

Joel McNeill
Doane Agricultural Service, Inc.
8900 Manchester Road
St. Louis, Missouri 63144
(314) 968-1000

Headquartered in St. Louis, Missouri, U.S.A., Doane is an international leader in Farm and Ranch Management, Consultation, Appraisals, Land Acquisition, Publications, and Marketing Research.

Readers Say

New format—(cont.)

SIR: Two boos and a hiss for the new look in FORBES.
—Reade B. Nimick
Haverford, Pa

SIR: Fortunately, this tampering with the form will not ruin the substance of the magazine.
—George Duyer
Los Angeles, Calif.

SIR: Your new layouts and graphics are extremely inviting and readable. They match the magnetism of the content. Yours is the most readable magazine around today.
—David Brown
New York, N.Y.

SIR: Congratulations on your superb new design. I eagerly await the inevitable refinements.
—Lawrence Miller
President,
Design Alliance, Inc.
New York, N.Y.

SIR: A big plus for highlight articles with Bookman Bold typeface.

But a big minus for 18 pt. Garamond Light italic. Side Lines *(Nov. 27)* says that you want to amplify the meaning of the headline of the illustration or graphic. If it can't be easily read, then it can't do much in the way of amplifying anything. Please, a little more ink with the italicized type.
—Albert Edwards
Sanibel, Fla.

SIR: Please substitute for Trump a more substantial body typeface.
—William Burton
New York, N.Y.

SIR: You have triumphed using Trump.
—James E. Conner
Baltimore, Md

SIR: I liked your magazine better the old way.
—Philip Kessler
Westport, Conn

SIR: Count this reader as being happy with your new graphic attire.
—Howard Upton
Tulsa, Okla

AT&T wouldn't show a loss

SIR: The question you asked *("'Standard accounting practices,'" Fact and Comment, Dec. 11)* is one which others h asked: namely, if we showed more preciation expense, wouldn't we h lower earnings?

The answer is that our earnings wo remain the same. Regulatory comm sions tell us what depreciation we m charge as expense and allow this depr ation to be recovered in the ta (prices) they allow us to charge to customers. Presumably if the comm sions allowed us to book depreciatio the same rates which IBM uses, the c missions also would allow us commer rately higher tariffs.
—John D. deButts
Chairman,
AT&T
New York, N.Y.

We blew it

SIR: I applaud your statement ab Mexican oil *("We gringos are kidding o selves, not Mexico," Fact and Comment, D 11)* and also how we need someone "l brilliant and more intelligent" than En gy Secretary Schlesinger.

The fact that the Japanese lent Mex $1 billion (oil related help) is sickeni Now we can watch our neighbor s their oil to Japan instead of to us.
—Virginia R. Brown
Birmingham, Ala.

SIR: I simply wish to praise the intell tual honesty of your comments on Me can oil and gas.
—Edmund Cunningham
Naples, Fla.

Airbus—the best bargain

SIR: Economically the European Air consortium may not make sense *("E ain's newest albatross," Nov. 27)*, but y have missed the point. Consider a po ble alternative, another general Europe war.

Would the Krupps *et al* have bacl Hitler if France, Germany and Engla had been deeply financially involved i mutual program in the 1920s? Maybe the best bargain going, after all.
—Charles T. Leonard
Seattle, Wash

Kudos for Kahn?

SIR: Suggest you wait for tax bill bef sending too many awards to Mr. Ka *("Kahn: not even time for kudos," Fact a Comment, Nov. 27)*. Cost of subsidiz

Technology is providing the means for illiterate Americans to obtain the basic skills they need to get jobs

CONTROL DATA CORPORATION

More than a computer company

Functionally illiterate adults. Many have never before really succeeded at anything. But now at last things are changing.

The difference is computer-based education, another example of technological innovation applied to solve one of society's critical problems: improved quality, equality and productivity of education. Computer-based education is a revolution in learning that is well underway. No matter who you are, the revolution will affect your life...favorably.

In a test just completed by Control Data in Baltimore, PLATO® computer-based education helped functionally illiterate adults improve their reading and math skills at least a grade level in 20 hours or less. Other tests in Minnesota, Texas and Maryland showed comparable results.

Now, the functionally illiterate and many of the unemployed can deal with the true cause of their plight: lack of basic education and job skills. Students can learn at their own pace individually or in group sessions. The computer offers the finest in curriculum materials...and infinite patience with each student.

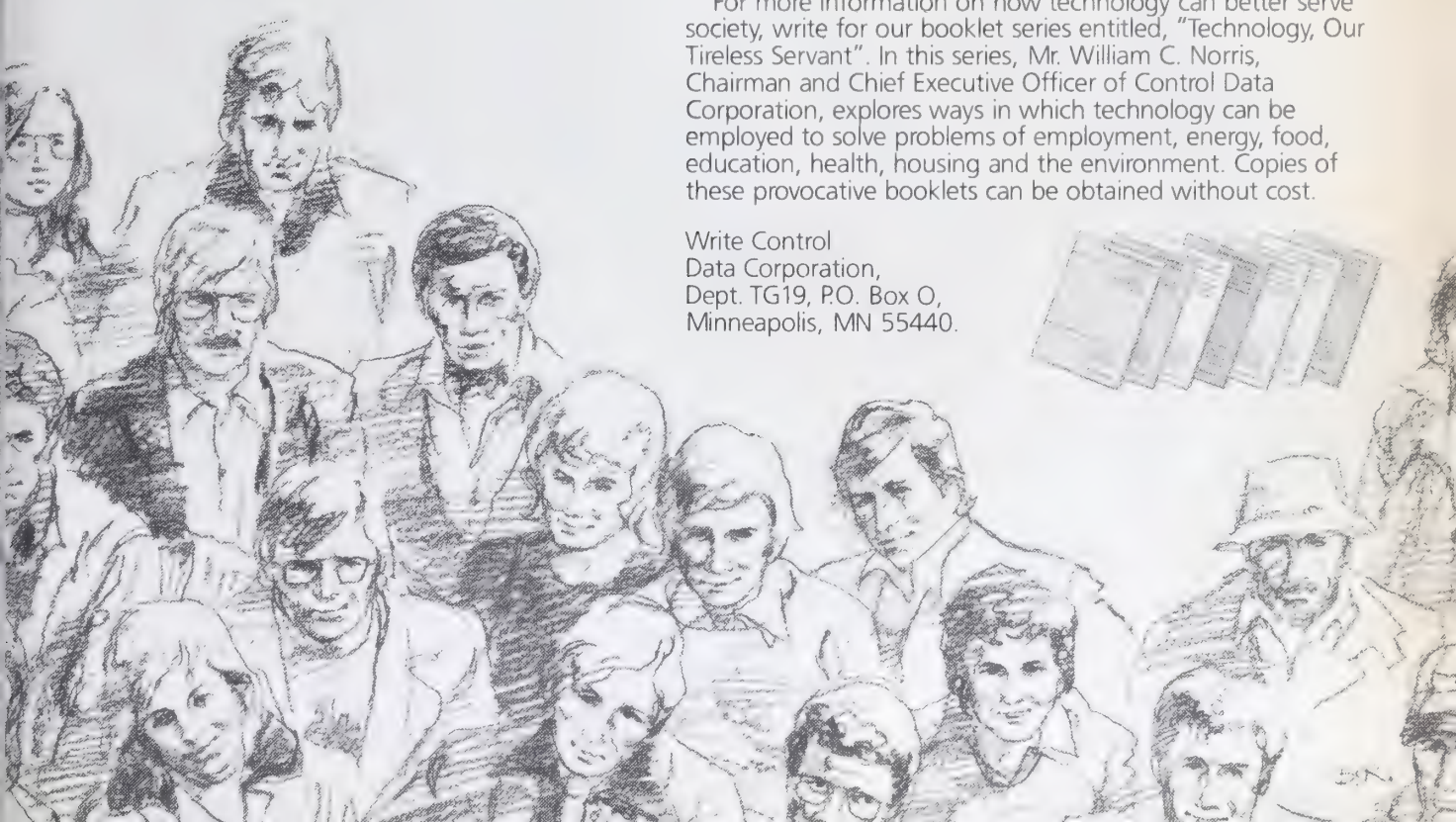
Teachers will have more time for individual student attention, less lecture demands. Taxpayers, staggering under ever-increasing educational costs, will be relieved to learn that each generation of computer-based education will cost less and less as the knowledge base builds. And quality of education will be uniformly excellent. Profit-minded business managers are already training thousands of workers more rapidly, effectively and economically.

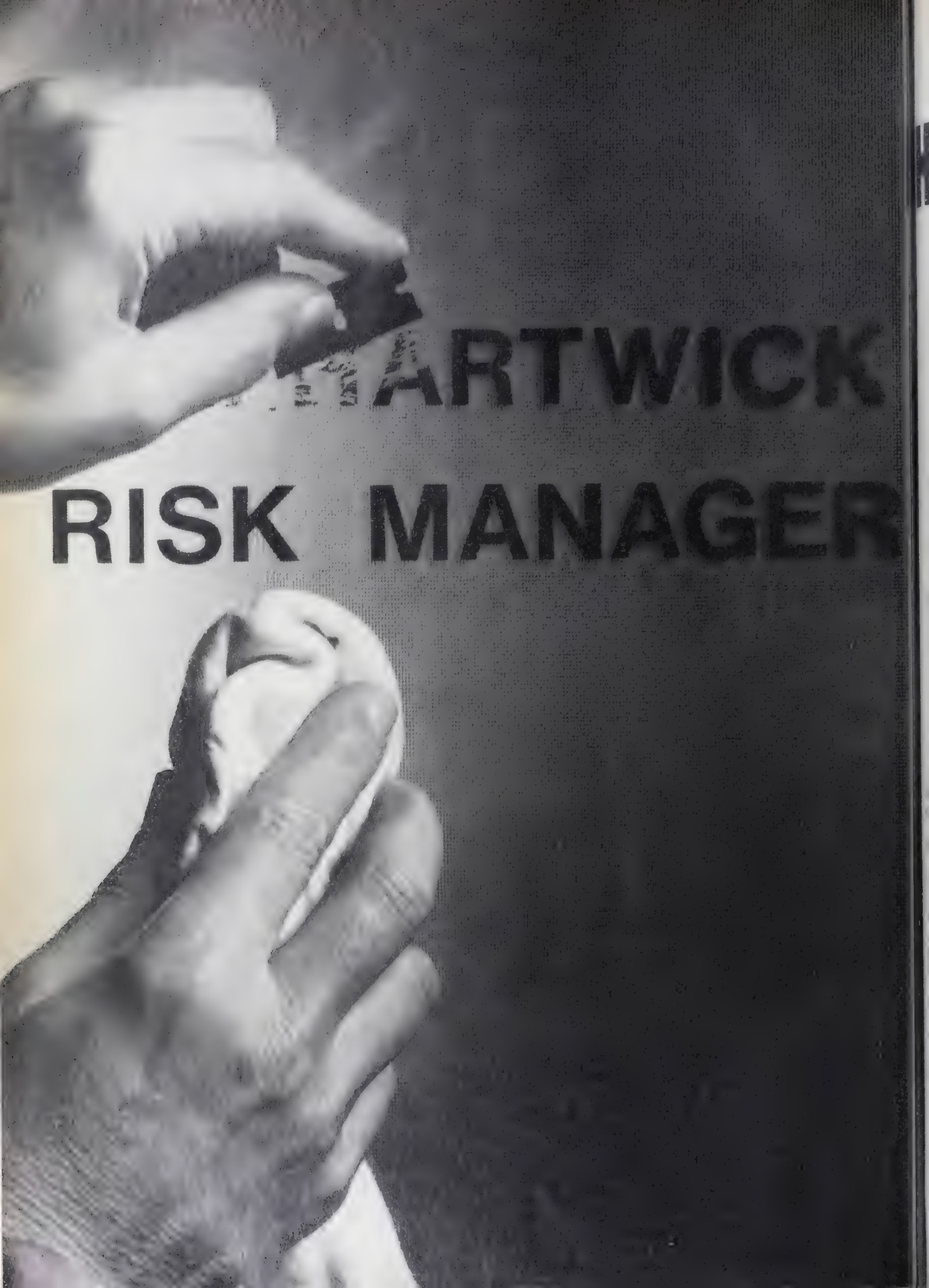
> ***"Technology is know-how. Simply stated, it's a way of doing things. How to grow two stalks of rice in place of one is know-how or technology. The design of equipment to heat homes with solar energy is another example."***
>
> ***William C. Norris***

In the forefront of this learning revolution, Control Data has in operation the most advanced computer-based education system in the world, the PLATO system. More than 50 learning centers, offering PLATO computer-based education courses are already in operation in major cities.

For more information on how technology can better serve society, write for our booklet series entitled, "Technology, Our Tireless Servant". In this series, Mr. William C. Norris, Chairman and Chief Executive Officer of Control Data Corporation, explores ways in which technology can be employed to solve problems of employment, energy, food, education, health, housing and the environment. Copies of these provocative booklets can be obtained without cost.

Write Control
Data Corporation,
Dept. TG19, P.O. Box O,
Minneapolis, MN 55440.




ARTWICK
RISK MANAGER

A TRUE STORY OF HOW A MULTINATIONAL CORPORATION DISCOVERED THEIR MILLION DOLLAR POLICY WASN'T WORTH A DIME.

It happened to a multinational American corporation (who prefers to remain nameless).

And unfortunately, their story isn't that uncommon.

They had a million dollar Boiler and Machinery Policy with the same coverage in 30 different countries. At least that's what they thought they had.

But when they suffered a loss in one of the countries, they found out they weren't covered for it.

And, they couldn't collect a dime on it.

Now, you may ask, how could this have happened?

Well, what they didn't realize is that their policy was with an American insurance company who worked with independent overseas affiliates. Which means they were covered by a different insurance company in every country.

And of course, every company has a different way of writing a policy, and every country has different rules and regulations. So the way a policy reads in one country may not be the same in another country.

And that's why their story had an unhappy ending.

It's also why they came to American International Underwriters, a member of AIG.

AIU gave them what we call our "No Foreign Intrigue" Policy, a master policy that allows for variations in individual countries and is designed to fill in gaps in coverage. (In their case, it was a Boiler and Machinery Policy with coverage in 30 different countries.)

AIU is the largest writer of all kinds of insurance for U.S. businesses abroad. We have a network of our own offices in over 130 countries providing underwriting, claims and engineering services. So we can solve any insurance problem you may have internationally.

It's also our policy to have every AIU office run by our own local people who know their country's language, customs, laws and government regulations.

So when you do business with us in a foreign country, there's never anything foreign about it.

Our "No Foreign Intrigue" Policy is just one of more than 300 policies AIG offers through our more than 160 member companies.

For more information on AIU, send in the coupon below.

With us, you'll always know exactly what you're getting.

No surprises. No international intrigue. No million dollar mistakes.

AIG'S "NO FOREIGN INTRIGUE" POLICY

Please send me more information on AIU.

American International Group
Dept. A, 70 Pine Street, New York, N.Y. 10005

Name_____

Firm_____

Address_____ Tel._____

AIG

WE OFFER MORE KINDS OF INSURANCE THAN ANYONE IN THE BUSINESS.

We welcome inquiries from any licensed insurance broker. You don't

F5

ENTEX

AN ENERGY-BASED COMPANY THAT'S BASED IN THE MOST ENERGETIC CITY IN THE U.S.

Entex supplies natural gas service to over 1,000,000 customers. Subsidiaries include oil and gas exploration, production and contract drilling. Plus interests in lignite. In addition, Entex is in the savings and loan business through a wholly owned subsidiary with over $500,000,000 in deposits and thirty-six offices.

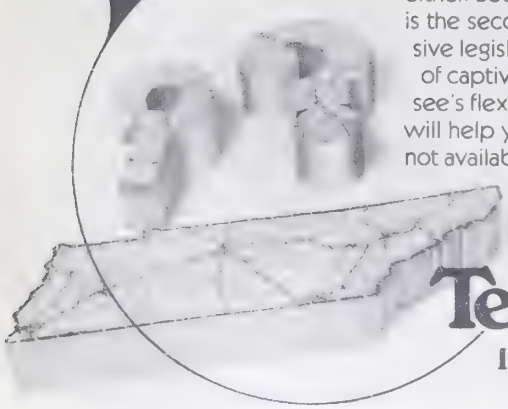
ENTEX, INC. • BIG CHIEF DRILLING COMPANY • ENTEX COAL COMPANY • UNIVERSITY SAVINGS ASSOCIATION • ENTEX PETROLEUM, INC.

For further information, contact Entex.

ENTEX

P.O. Box 2628, Houston, Texas 77001.

Name two other states (besides Tennessee) which charter captive insurance.



You can't. And no one else could either. Because forward-looking Tennessee is the second U.S. state to enact progressive legislation permitting the chartering of captive insurance companies. Tennessee's flexible new Captive Insurance Act will help you to obtain liability protection not available commercially and to cut costs on existing programs. Stop thinking about self insurance. Do it in Tennessee.

Tennessee.

Insuring Your Future.

For more information: Call (toll-free) 1-800-251-8594 or write Fred Harris, 1021-O Andrew Jackson Bldg., Nashville, TN 37219

Readers Say

airlines to serve small communities r being abandoned will be astronomi Perhaps we can call subsidized air ser Kahnair to go with Conrail.
—Arnold L. Burke
Wilmette, Ill

SIR: A lamentably belated but never less most sincere thank-you for th kind references to me. I will do my v best to deserve them.
—Alfred E. Kahn
Adviser to the President on Inflation,
The White House
Washington, D.C.

Oxy's investment banker

SIR: In "Oxy *vs.* Mead: the big one of " *(Dec. 11)*, Occidental's investment ba ers should have been identified as: K der, Peabody & Co. Inc.; Blyth Eastn Dillon & Co. Inc. and Dean Witter R nolds Inc.
—Thomas J. Murtagh
Senior Vice President,
Dean Witter Reynolds Inc.
New York, N.Y.

Has the ICC changed?

SIR: The last thing we have been cused of since Dan O'Neal beca chairman has been "indulging in typi bureaucratic reasoning" or "fighting t battles of the past" on any issue (" *Sullivan* vs. *Mr. O'Neal," Nov. 27)*. T assertion that the ICC is "committed keeping rates down and to assuring th the railroads do not capitalize on a competitive advantages they may ha by charging what the traffic will bea is preposterous.
—Douglas Baldwin
Director,
Office of Communications & Consumer Affairs
Interstate Commerce Commission
Washington, D.C.

Is it? Twice in recent months, the ICC h pared back railroad rates as being too hig While Reader Baldwin may not agree u our conclusions about the ICC, the sto reflected the content of our interview u Mr. O'Neal—ED.

So what's the big deal?

SIR: Although loans may have been i sued to farmers who didn't need the *("Get your 3% loans right here, folks," De 11)*, do you really think loans issued du ing a period of 16 months on which th

vernment is "losing close to $100 mil-
n" a year has much effect on our econ-
ıy? Interest on the federal debt costs
:payers over $900 million a *week*. In
77 Medicaid cost $9.9 billion, Aid to
milies with Dependent Children cost
4 billion, the food stamp program cost
4 billion.

evne Geldean
rmon, Ill.

Still Different

t: It was Aetna Business Credit that
:ticipated in the financing of Bill
ıitman's Trend Carpet buyout *(Dec.*
), not Aetna Life & Casualty.

Aetna Business Credit is, indeed, a
olly-owned subsidiary of Aetna Life &
sualty, but its approach to lending dif-
s significantly from that of its parent
ganization.

Robert S. MacDonald
e President, Commercial Term Lending,
na Business Credit, Inc.
st Hartford, Conn.

Japan keeps us out

t: One additional factor ought to be
nsidered concerning U.S.-Japanese
de *(Fact and Comment, Dec. 11)*. The
rriad of nontariff barriers keeping out
eign goods the Japanese are capable of
ıking themselves results in their do-
stic producers earning very large prof-
in a protected market half as large as
U.S. This protected cash flow fi-
nces the high level of investment and
search and development expenditure
abling these protected industries to
y ahead of competition.

Robert C. Waggoner
ingston, N.J.

A "rising star"

t: Your Statistical Spotlight *(Nov. 13)*
cluded Thermo Electron in the table of
alling Stars" rather than that of "Ris-
g Stars." The consensus of analysts
dicts year-to-year earnings growth of
%.

George N. Hatsopoulos
sident,
rmo Electron Corp.
ltham, Mass.

MSF—A nice guy?

t: Re Mr. Sommer's "handwritten"
te *(Readers Say, Dec. 11)*. MSF can't be
bad—he flies balloons, rides motorcy-
s, has a nice art collection and, I would
pe, likes dogs.

Allen T. Sullivan
shville, Tenn.

Norelco®
185 Pocket
dictating machine
and UltraSlim™ Executive Notetaker.

Two reasons to start talking.

Talk can be cheap. Or expensive. When you dictate to a pocket-size Norelco, talk is cheap. Because you're saving time for both yourself and your secretary. And here are two of the best reasons you'll ever find to start talking.

The low-priced Norelco 185 fits pocket or purse, and features options such as the use of A.C. current, telephone or conference recording. The 185 captures every word crystal clear for fast, easy transcription. Yet it's priced to let you equip an entire field force.

The new lightweight UltraSlim slips into a shirt pocket, fits your hand gracefully. Yet it contains all the features described above, plus the adjustable sound screen which lets you dictate clearly anywhere, even against loud background noise. Designed in jewelry-finish metal. Both units are compatible with the entire Norelco dictation system.

Send the coupon today and get all the facts on how to save by talking.

Norelco®
Philips Business Systems, Inc.
175 Froehlich Farm Boulevard
Woodbury, N.Y. 11797

I want to know how to save by talking.
Please send information.

F-179-PS

Name _____

Organization _____

Address _____

City/State _____ Zip _____

Telephone _____

© 1978, Philips Business Systems, Inc.

JUSTERINI & BROOKS Founded 1749

In a world where fame is fleeting, there's a reason it's been in the limelight for almost 100 years.

Rare taste.

J&B
RARE
SCOTCH

86 Proof Blended Scotch Whisky © 1978 Paddington Corp., N.Y.

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

1979 WILL BE A GOOD YEAR

There's even a chance it could be too good, and that would bad.

Only a collapse of President Carter's will to bridle inflation uld bring on a severe recession.

Despite the alarmist yapping of most economists, it's not hard-nosed actions of the President but his failure to stick hem that would bring on a dire downturn. Early Administion panic and reversal of course at the first sign of the cure ting—that would really blow the economic scene.

There will be some important downers. OPEC's jump is very gh. Housing starts will be off, and not just because of record erest rates. I haven't seen it referred to, but the new tax 's appreciable reduction of taxes on the gains from the sale oldsters' homes is putting more homes on the market. On other hand, the prospect of a stabilized dollar is going to eash much of that too-long-postponed capital spending.

ure, the reduction in federal and state spending brought on taxpayers who've finally Had It will hurt those getting less he federal largesse. But that, too, will be offset by those who able to keep a little more of their own earnings to spend as y see fit.

Unemployment may climb a bit as spending shifts direction, total *employment* will be little, if any, less.

n addition to putting the rein instead of the spurs to the federal deficit, our hemorrhaging trade imbalance is going to be staunched. Indeed, it conceivably could cease, during the year ahead. Farm exports may reach a record $29 billion, and exports of merchandise are now climbing at a rate three times greater than the rise in imports. Newfound foreign faith in the dollar is contributing mightily to the fight against inflation.

If the President stands firm on the present course, so will the dollar. As a sign that brakes are taking hold, the stock market will not go below its present absurd level. It will begin a climb that will more nearly reflect the real values that are so much greater than current bargain-basement prices indicate.

A year ago this sentence concluded our forecast: "I think those who predict that 1978 will end up down have their analyses down side up."

Most economists are again Cassandra-ing, nearly unanimously proclaiming that the price of curbing inflation has to be recession.

They are as wrong as usual.

The price of *not* curbing inflation will be recession. If the President falters, growing faint in his follow-through, then indeed 1979 will be a bad year.

Otherwise, the restored faith in the buck abroad, and the curbing of its evaporation in value at home, will guarantee that 1979 is a good year—a most good year.

MAYBE GM'S DIVIDEND CUT

uld have made the headlines and sharply depressed the ck market no matter how it was announced.

ut it shouldn't have.

he reason for the cut should have engendered—after any ection—a rise in the market.

General Motors cut its year-end extra dividend by 75 cents a re (to $2.50 this year from a record $3.25 in 1977) to help finance a $9.5-billion capital expenditure in the 1978-79 period. How stupendous a vote of confidence in the economy can a company cast?!?!!?!!!

That was the news, not the six-bit dividend cut.

Anyone who thinks that spending some money for intelligent corporation communications is a waste should keep this classic case in mind.

KENNEDY CAN WIN ANTIBIGNESS FIGHT

Senator Kennedy brings in an antibigness bill that's nei- extreme nor retroactive, it could—easily—become law re 1979 becomes history.

he muddies the measure with attempts to bust up existing nts simply because of giantness and totally unrelated to nopoly, that effort won't succeed.

ennedy would have support from a considerable segment of business community for a law that would outlaw huge corporate mergers. It has been the successful companies of any and all sizes who've been seized by the business Caesars. Under present circumstances, who's to blame the aggrandizers? Corporate tills have been bulging with cash; absurdly low stock market prices make for irresistible takeover temptations. It's so much cheaper, so much quicker, so much more exciting to grab from the outside than to grow from within.

Such "growth," of course, adds no new factories, no new jobs

per se; in fact, "management efficiencies" usually result almost immediately in less of each. The other side of the coin is that the huger corporation can invest more and for longer periods in R&D and has a clout that sometimes helps carve a hunk out of business markets abroad.

Kennedy is considering several approaches:

- a simple ban on mergers involving companies with sales exceeding $500 million, or a cutoff at the $100 million figure;
- a company controlling over 10% of a market or among the top ten producers of a product cannot be conglomerated;
- an outright banning of mergers among the top 100 corporations or top 200;
- requiring big companies to spin off assets equivalent to those involved in a planned takeover;
- no interest deduction allowed on loans made to finance acquisitions.
- Exceptions could be made for mergers that can prove the combination would increase competition.

Says Kennedy, now chairman of the powerful Senate Judiciary Committee and also of the Antitrust & Monopoly subcommittee: "I am especially concerned with the ease with w the major conglomerates and the large multinational oil c panies can swallow up major chunks in any other dom industry. . . . The potential for additional mergers and acq tions is staggering. Exxon, for example, could tomorrow the J.C. Penney Co., Du Pont, Goodyear and Anheuser-B using only its accumulated cash and liquid assets."

Rightly or wrongly, an antibigness bill is very apt to pa not only has political appeal, it has considerable support i business community.

Doubters need only look at the number of state legislat that have passed measures designed to safeguard nati companies with sizable operations within their borders f conglomerators.

Busting up present biggies won't pass. The track recor GM, AT&T, IBM, GE, Kodak and a few other famed Nam innovation, in pricing, in competition, in winning mar abroad and creating new ones are too good. They have w spread public support in spite of the assaults of the nume Nadering nabobs.

NEPOTISM IS NOT SOMETHING

we preach in FORBES. As you may have noticed, it's something we practice. In connection with the announcement of son Christopher's appointment as assistant publisher and election as vice president *(see Side Lines, p. 8)*, his brother Steve, who also appears on FORBES' masthead, said: "It could be said at an early age we came to the attention of management."

As printed on a Better Mottoes card someone handed me other day, "Nepotism's not so bad if you keep it in the fami

WANT A HOT STOCK TIP?

We're often asked by friends and others to recommend "a good stock to buy now." Invariably, I duck.

But here's one we'll be putting our money on—Houston Natural Gas.

It's not merely because there's no end to the increasing need for what it sells. Several companies can make that claim. But what HNG has is Bob Herring as CEO, and, as my father used to say, "I never bought a stock based on the balance sheet. I always bought management."

We luncheoned Bob here again recently, and, though we gave him little time to eat, he never stopped feeding us food for thought. One delightful Herring anecdote:

"Joanne and I were invited to come to the Philippines for the dedication of a hospital in Manila which had been patterned somewhat after the Texas Heart Institute that I am president of. We went out with Dr. Cooley, who is our chief surgeon, and his wife. It so happens that Mrs. Marcos had just returned from Red China. She'd had a tour of some three weeks, and showed us the movies of her tour. Included in her trip was her request for 80,000 barrels of oil, which she'd been able to buy for $7.60 a barrel, even as the Chinese were selling about three times as much oil to the Japanese at $11.60 per barrel.

"So, while I was dancing with Mrs. Marcos one night, I said to her: 'How in the world did you talk the Red Chinese into selling you oil at $7.60 a barrel?' She said, 'Well, Bob, I wen over the country. We had a great visit, I was well received, on the last day the people asked me what they could do for said, "Well, we are a little developing nation nearby. admire tremendously what you have done for your people we need 80,000 barrels of oil a day."

"What will you pay for it?" they said. And she s "We'll leave it up to you." She said they appare had meetings that evening and again the next m ing. And it was after lunch the next day they cam her and said, 'Would $7.60 a barrel be all right?'

"So I have been taking my beautiful wife to S Arabia ever since."

And here's one Right-On Herring perception:

"Houston Natural had a dinner party for abou analysts here in New York City. And we were asked s questions about what Washington policy was going to be this type of thing. I had not particularly liked the typ questioning, because we were enjoying a rather spectac earnings growth at that point. At the end of the evening, I s 'You people bother me with the type of questions you ask, a am going to make a comment about the way you analyze thi I think you are totally wrong. For example, if I tonight wer announce I have a new venture that in 2½ years will double earnings but, because of its nature and cost, I am going to h about three down quarters, every one of you would leave h and sell my stock.' And they all admitted I was right."

ONE OF THE SAVVIEST MOTOR MOGULS

in a world not overly supplied with bright ones is Dr. Joachim Zahn, chairman of Daimler-Benz, who's made Mercedes an undisputed worldwide success and symbol of same. We were chatting with him and with Prudential Life Insurance CEO Bob Beck the other day, when the good doctor observed: "You know, Mr. Beck, you are one of the few for whom being a totally good Christian is totally good business. You sincerely pray that we all have good health and long lives."

Incidentally, Good Christian Bob, just back from Brazil, commented that he was enormously impressed with the "first-rate caliber of the government men I met in Brasilia, and the intensity of the work ethic that prevails there." That's a refreshing thought about a land most famed for its Carnival, carioca and waltzing inflation.

SINCE THIS IS THE SEASON OF HOLDING HANDS

holding heads on mornings after, it might be in the holiday it to point out that we Americans consume far less spirits ı much of the rest of the world.

tuart Watson, Heublein's not-unprejudiced head, said to us other day: "I feel that Americans are managing alcoholic erages rather well. God knows they need to be compliment- ɔnce in a while in a society which seems to spend its time ng to find fault with its fellowman!"

He mentioned a chart which showed that the U.S. ranks 23rd in per capita consumption of *all* alcoholic beverages; that we're 8th behind such countries as Poland, Japan, Canada, Luxembourg, East Germany, Netherlands and the U.S.S.R. in downing spirits, and 13th among beer-drinking nations. As for the boom in wine, we're only 30th in that lineup.

Those with hangovers may find some comfort in knowing they have fewer fellow *miserables* domestically than overseas.

ASPIRATION

usually exceeds the requisite perspiration.

INSPIRATION

and perspiration are related by more than rhyme.

WHEN FOES BECOME FRIENDS

By M.S. Forbes Jr.

The Association of Western Pulp & Paper Workers has filed a lawsuit challenging the legality of President Carter's "voluntary" wage and price guidelines. Republican Representative Jack Kemp and ten other federal legislators have weighed in with their own brief supporting the plaintiffs.

The courts will probably rule in their favor. Bad news for President Carter? Just the opposite.

Wage and price controls are no antidote for inflation, as 4,000 years of history have shown.

The chief virtue of the Carter guidelines is that they have checked temporarily the growing inflationary psychology that was gripping this economy. Now almost every major company is making an effort to comply. The same is true on the labor front. Without the guidelines, the Teamsters would probably have won a settlement averaging 13% a year. Now they may get 9% or 10%, which is above the "limit" of 7%, but lower than it would have been otherwise.

This kind of cooperation cannot last for long. But at about the time the guidelines begin to do more harm than good, the courts will be declaring them null and void. Thus Carter will have it both ways. He can blast the Republicans for undermining his attack on inflation. Simultaneously, his wage and price standards do not become a serious political and economic liability.

Back in 1935, Franklin Roosevelt's chief antidepression instrument, the National Recovery Administration, was beginning to jeopardize the economy's recuperation from the catastrophic Depression. The Supreme Court's "nine old men" conveniently got FDR off the hook by declaring the Blue Eagle illegal. Economic activity increased and FDR went on to a smashing reelection victory.

Carter might enjoy the same good fortune. By this summer, the Administration's more meaningful anti-inflationary moves—stabilizing the dollar and tightening the budget—will be starting to work. Carter will appear to be attacking inflation as successfully as FDR looked to be curing the Depression in 1936.

FALSE PROPHETS

For those worried about economists' forecasts of a 1979 recession, this tale—

Before Californians overwhelmingly approved Proposition 13 last June, UCLA's highly respected economists came out with a study warning that passage of the tax-cutting initiative would be an economic disaster for the state, costing hundreds of thousands of people their jobs.

Now UCLA has issued a subsequent report. Its conclusion: Not only would the state's accumulated budget surplus be large enough this year to bail out local governments (their property tax revenues were severely cut by Proposition 13) but, because of its economic growth, the state could *increase* the amount of this aid 2% annually over the next four years and still maintain a surplus. The feared belt-tightening is not going to pinch very much after all.

The lower tax rates could so stimulate the state's economy that California will, in the years ahead, end up with more tax revenues than it would have had otherwise.

UCLA's forecasters maintain, meanwhile, that they have nothing to be ashamed of in that first report. They say, in effect, "You should have paid more attention to our assumptions and our caveats."

Economists, like stock market "experts" (including this one), are more skilled at rationalizing their failed prophecies than accurately crystal-balling the future.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Avoiding Intellectual Injury

Any person who observes the following rules will never injure himself by intellectual work. To do no hard intellectual work for half an hour before eating or for an hour after eating. If compelled to break this rule in an emergency, eat but little. To take an average of ten minutes relaxation as often as once in an hour and a half. To take two walks a day, or an equivalent thereof in the open air, of an hour each, or one of two hours, and to take vigorous exercise of the arms and chest for 20 minutes some time during the day.

—*Omaha World-Herald*, Mar. 2, 1896, reprinted in *Antiques*

"Uncontrollable" Baloney

When you ask around Washington why Congress doesn't stop inflation by cutting federal spending, you are apt to hear a lot of defeatist talk about "uncontrollable" items and the like. This, of course, is utter nonsense. Every dollar of the $500 billion the federal government spends is controllable. Indeed, Congress is charged explicitly by the Constitution with controlling the budget. What people really mean when they say "uncontrollable" is that Congress has made promises to a lot of people and finds it politically inconvenient to withdraw them. . . .

Instead of asking where to cut spending, it should start asking what federal spending is of any value to the nation. It's surprising how simple the problem then becomes.

—*Wall Street Journal*

A Common Religion

She showed no interest in any religion, in any kind of hereafter, only in the here and now and in how this might be arranged to her advantage.

—a character in *Staying On*, by Paul Scott

A Senator's Common Sense

When Senator Abe Ribicoff of Connecticut made an issue of the MIG-23s with Prime Minister Kosygin in the Kremlin recently, Senator John Glenn of Ohio told him that he had known about the MIG-23 deal for almost a year and thought it was a false issue. Any airplane could be a nuclear weapon, Mr. Glenn said. He had a little plane of his own, and anybody could roll a nuclear weapon out the door of a Piper Cub, but the MIG-23s in Cuba, he said, were no argument for raising objections to the control of strategic nuclear weapons.

—James Reston

Equal Treatment

Tell your bosses what the real world is all about, advised Robert J. Flaherty, senior editor, FORBES, at the Public Relations Society of America's conference on "The Investigative Climate—How it relates to you, your company and your client" in New York. Mr. Flaherty said that, in dealing with the business press, corporate execs should "read the sports pages and know that they're not going to get any better treatment than the heads of the Yankees and the Red Sox."

—*Advertising Age*

Save Life or Art?

There is no intellectual or emotional substitute for the authentic, the original, the unique masterpiece. "Still," Paul Mellon [commented], "someone quotes the sculptor Giacometti as having said, 'If a house were on fire and I could take out a Leonardo or a cat, I would rescue the cat. And then I would let it go. It is life itself that counts.' "

—*Town & Country*

Entrepreneurs

The solitude and responsibility produced a resolute and thoughful breed of men; many more sheepherders than cowboys rose to become citizens of substance and wealth. And though little praised often scorned, they were proud of hard life that had fashioned them. God's sake," one of them admonish writer of a later era, "don't pictu sheepherder with a longhandled cr and a face like Jesus Christ. And d give him so few as a dozen sheep cro ing close to him and licking his h Give him a sizable flock of at least 2, and let them keep at a respectful dista He was a sheepherder, not a shepher

—Ogden Tanner, *The Ranch*

If I don't have things to sh you by February, I'll be m than disappointed. I may t up my tenure at Cornell.

—Alfred E. Kahn, presiden adviser on inflation and for university profes

The Key Element

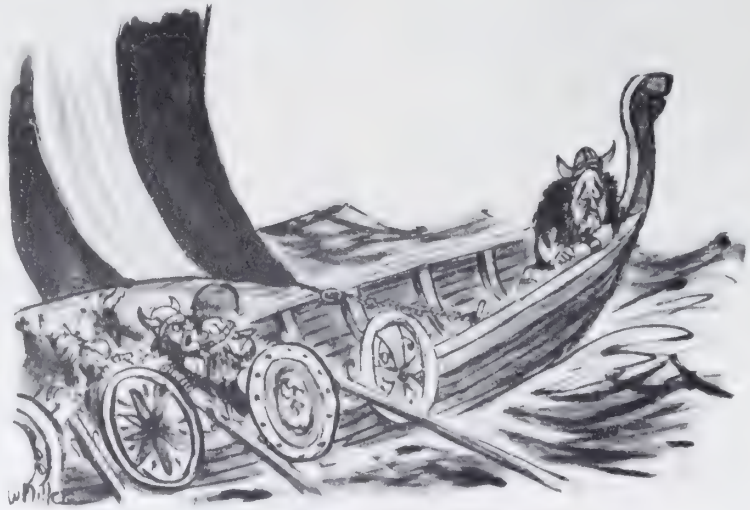
David Eisenhower once said so thing that made me realize that he c not possibly be as silly as he see "Journalists," he said, "aren't nearly interesting as they think they are." tually, he's not quite right. Journalists interesting. They just aren't as inter ing as the things they cover. It is possi to lose sight of this.

—Nora Ephron, *Scribble Scrib*

No Favoritism

An excessive deference to juni seemed to Sam Johnson at least as harm as an excessive deference to seniors.

—Christopher Ricks in *The N York Times Book Revi*



"You may have noticed that he never feels 'too queasy' when it comes time to plunder, sack, and ravage."

Drawing by W. Miller; © 1978 The New Yorker Magazine,

Your next right-hand man should be a machine.

Panasonic Omnivision II™ VHS™ can do things for you that are not humanly possible. Even for the best right-hand man—or woman. Omnivision II VHS is a video cassette system. With a Panasonic video camera, it becomes a complete communications tool that lets you record and play back demonstrations, speeches and discussions. And, as corporations large and small have already discovered, it can help executives save money and use their time more effectively.

You can deliver an important address to stockholders in one meeting and simultaneously demonstrate your new product to potential customers at another. Simply record both appearances on Omnivision II.

Omnivision II lets you educate your personnel in branch offices while reducing their expensive and time-consuming trips to the home office. For example, you can record your best salesperson's technique on Omnivision II and send the tapes to your branch offices. The result: you can have a more productive sales force.

Omnivision II can also save you trips to branch offices, plants or other locations. Panasonic battery-operated portable VHS decks and cameras can bring new plant sites, warehousing operations and production-line techniques right into the home office.

Omnivision II VHS lets you be in two places at the same time.

Panasonic Omnivision II is part of a complete line of "Industrial Strength" video communications equipment. It's geared to the special needs of industry. And its applications are almost limitless.

For more information on Panasonic Omnivision II VHS, just mail in the coupon. You'll see why your next right-hand man should be our machine.

Omnivision II VHS. TV picture simulated

Panasonic® Omnivision II VHS
Video Cassette System

Panasonic Company, Video Systems Division, Dept. FB-18
One Panasonic Way, Secaucus, N.J. 07094.

Send me more information on Omnivision II VHS.

Name _____ Title _____
Please Print
Company _____
Address _____
City _____
State _____ Zip _____
Area Code _____ Phone Number _____

In Canada, contact Panasonic Video Systems Dept., 40 Ronson Dr., Rexdale, Ontario M9W 1B5

If there were no economists, where would we all go for economic certainty? "To gypsies, probably," says one of their number. But the gypsies never had it so good.

Cheerful Days In The Dismal Science

Sir Isaac Newton | John Law | David Hume | Francois Quesnay | Adam Smith | Alexander Hamilton | Jean Baptiste Say

By Lawrence Minard

MULTIMILLIONAIRE Paul A. (for Anthony) Samuelson, MIT's Nobel prize-winning economist, likes to recall this anecdote from the New Deal days:

"When Roosevelt's economist, Leon Henderson, was foisted FDR's aide, Louis Howe, Howe told him: 'Leon, I want you know where you stand. You see these buttons on my coat eve? They're no damn good, Leon, but everybody says I've tta have 'em, so I do. And it's the same with you.' "

Times change. Today nearly everybody has such buttons on eir sleeves—and economists, from being obscure academi- ans, have become, in their own right, media stars and entre- eneurs. We now have as many economists as dentists.

Some of them may end up rich. "My income? Your guess of 00,000 to $500,000 a year is not far off," says conservative onomist Alan Greenspan of New York's Townsend Green- an. Greenspan makes his money advising corporate clients likely directions of the economy and charging them from 5,000 to over $100,000 for his time and statistics. He is, in ect, a businessman who sells facts and figures, opinion and etoric. And at a very smart markup.

Greenspan is no rarity.

According to MIT's Samuelson: "There are as many econo- ists in the U.S. as chiropractors—about 20,000, which is the embership of the American Economic Association." But a oader definition is suggested by Rice University history ofessor Thomas Haskell (currently at Princeton's Institute Advanced Studies) in his remarkable book, *The Emergence of ofessional Social Science:* "Professionals," says Haskell, "are rsons who claim to possess esoteric knowledge which serves the basis for advice or services rendered to the public for muneration." Substituting "economist" for "professional" allows us to include among economists college dropout Eliot Janeway, who has made millions convincing his clients and lecture audiences that he possesses esoteric economic knowledge and inside information (FORBES, *June 15, 1971*).

The U.S. Labor Department figures there are over 115,000 working economists—one economist for every four lawyers, one for every two CPAs and one for every dentist. Surprisingly, only 10% of the 115,000 are employed in teaching. Another 10% work for government. Most of the rest work for private business. Businesses, like governments, now feel the need of those buttons on their sleeves.

Pay? For academics, around $25,000 for teaching four days weekly; but academics willing to exert themselves can easily double their incomes by consulting—or better yet, writing textbooks—on the fifth day and weekends. Business economists—perhaps because they have less chance to become media stars—do somewhat worse: Last year the typical member of the National Association of Business Economists (NABE) earned $33,000 plus an extra $5,000 in outside income. At $38,000 a year, the business economist is about on a par with the typical U.S. lawyer in terms of earning power.

Add up all the salaries, book sales, economic forecasting and consulting firm profits, and the economics industry could easily be worth over $2 billion a year.

If prostitution is the oldest profession, economics may well be the newest.

Adam Smith, for example, was not even an economist in our modern sense. The University of Edinburgh sage was a moral philosopher—a man of wide interests and great depth. Jean-Baptiste Say was a successful businessman, David Ricardo a rich stockbroker. It was not until Cambridge University's great Alfred Marshall came along in the late 1800s that people understood that market supply and demand were as

Thomas Malthus **John Stuart Mill** **Karl Marx** **Thorstein Veblen** **John Maynard Keynes**
vid Ricardo **E. Bohm-Bawerk** **Alfred Marshall** **Frank Knight**

Wassily Leontief Milton Friedman Burton Malkiel John K. Galbraith Michael Evans
Paul A. Samuelson Otto Eckstein Robert Heilbroner Lawrence Klein

interdependent as the blades of a scissors. Only in 1885 did Richard Ely, an upwardly mobile young Johns Hopkins University economist, create the American Economic Association. Membership within a year: 181, of which 23 were clergymen. By 1909 membership was still only 1,000; World War I and the new income tax helped boost that to nearly 3,000 by 1925.

Then came the Great Depression and the New Deal. Most Americans looked hopefully to the dismal science for answers other than socialism or communism. The government began raiding the universities for economists, who suddenly achieved great power and prestige in the allocation and planning necessitated by World War II. Soon business was into the act. The profession has never stopped growing.

One of the country's best economics departments, MIT's, didn't even exist in 1930. MIT will award about 30 economics Ph.D.s this year.

In the old days, the idea of economic forecasting or of manipulating the economy never occurred to people. All the great American "robber barons" needed to know in their predominantly agricultural economy was: *How good are this year's crops?* If the crop was a big one, then the railroads would flourish hauling the grain, and the steel mills would go all out to fill orders for new freight cars and new track for the railroads.

Listen again to MIT's Samuelson:

"The world was pretty complex back in Queen Victoria's time. But then it wasn't the business of anybody in government to do anything about it. Obviously that is untrue today. People can't kill themselves in Guyana without a $9 million item in the federal budget. The Mississippi can't overflow its banks without 13 different agencies getting involved. So it's the new responsibility thrust on government by populist democracy that explains much of the rise of the economics profession. The government is in every act willy-nilly."

Isn't it ironic that populist democracy should spawn wh new aristocracies—like economics?

One new, *very* profitable area is economic forecasting. forecast industry is dominated by three firms: Data Resour Inc. (revenues: $33 million), Chase Econometrics Associa (nearly $15 million), and Wharton Econometric Forecast As ciates ($3.4 million). Other respected names include C MAPCAST subsidiary and Merrill Lynch Economics.

To see *how* profitable this business can be, look at publi traded, Cambridge, Mass.-based DRI Corp. Founded ten ye ago by Johnson Administration economist Professor Otto E stein of Harvard University on $1 million in borrowed mon DRI now nets around $6 million on its annual $33 mill revenues. Eckstein employs 580 workers (mostly Ph.D.s . M.B.A.s) who turn out monthly economic forecasts and k DRI's primary asset—its 5 million time series, which tr historical relationships among specified variables—up to da They also develop and maintain the 40-odd industry and gional models. DRI's basic $15,000 annual subscription pr gets you the macroforecast plus access to DRI's prized d base; the average customer pays $40,000 for those plus ind try studies, and a smattering of the firm's 600 clients pay up $500,000 a year for DRI's entire product line. Eckstein figu that around two-thirds of DRI's revenues come from retail his computer's time (which costs at most $20 per hour) clients at $80-plus per hour. "But what econometrics rea does," says Eckstein, "is to provide the rationale for apply our vast computer technology to business decision maki You see, what I learned from IBM was to bundle the servic to work directly with clients, and not simply hand them numbers and send them off to a terminal."

How good are the forecasts? That's embarrassing. In

Henry Kaufman **Martin Feldstein** **Pierre Rinfret** **Eliot Janeway**

conomics is like the detergent usiness: To be successful you ust differentiate your product.

cial recession of 1974-75 they exhibited a distressing herd ntality, and the herd headed in the wrong direction.

'The information is too perfect for there to be much differ-e among them," explains Steven McNees, 36, a bearded, T-trained economist and vice president of the Federal Re-ve Bank of Boston, who deserves a slice of some prize for nparing what forecasters say with actual economic results. esides," he adds, "it's safer to be part of the crowd."

According to a paper soon to be published by McNees, the wd really blew it in their forecast of the 1974-75 recession. oking at 1974 the median forecast was: 7% inflation, 5.9% employment and 2.2% real economic growth. Actual re-ts: 11.6% inflation, 8.1% unemployment, *minus* 5.6% wth. "And the *really* discouraging thing," McNees told BES, "is that they all *knew* about OPEC and the oil price drupling when they made those forecasts."

ust before OPEC's Dec. 16 oil price increase of 15%, the wd was predicting a "soft landing" for 1979: a mild reces-n late in this year, slight real growth of 2%, 7.7% inflation 6.5% unemployment. But given the 1974-75 results, why en at all?

McNees: "For one thing you don't subscribe to these fore-ters for their perfect accuracy. You subscribe for their data es and for a feel, an understanding, a *story* of what the nomy will do. Often you buy the individuals: warm Otto stein, conservative Larry Klein, or flamboyant Mike Evans. ides, all of us make forecasts—explicitly or implicitly—all time. Buy a house? Sell a bond? The decision is a forecast and the better the information, the better the forecast will be. By going to a top forecaster you improve your chances. Anyway, suppose I proved all forecasters are charlatans. Where would businessmen go then? To gypsies, probably."

Great businessmen in India frequently consult their astrologers before making a major move. Mankind is like that. It wants esoteric assurance that what it does is in harmony with the great vibrations in the economy and in the universe.

There is this, too: Forecasters are sometimes right. Throughout 1978 Henry Kaufman, top economist at Wall Street's Salomon Brothers, had predicted far higher interest rates than the crowd—so accurately that the stock market fluctuates when Kaufman speaks.

Certainly the gypsies, astrologers and medicine men never had it so good. Otto Eckstein draws over $200,000 a year from DRI, *vs.* what some say is a $250,000 annual draw by Chase's Mike Evans. On the other hand, Evans has pocketed only $3 million or so on selling Chase to the Chase bank. Eckstein's and his family's 20% holding in DRI is worth $7.5 million at current prices, up from $3 million when he took DRI public two years ago. (Other major DRI stock winners: Harvard economist Martin Feldstein, president of the National Bureau of Economic Research, and his two daughters.)

In many ways the economics business is no different from, say, the detergent business: To be a success you must differentiate your product from the next fellow's. For every Cheer, Tide and Whisk, economics has some law, theory, curve or other gimmick that has made its owner famous and perhaps rich. Some of the economics business' better-known gimmicks:

- Adam Smith's Invisible Hand, which Smith developed early in his career as a religious-psychological precept (see his *Theory of Moral Sentiments,* 1759) and which has been overused ever since to defend laissez-faire economics.

This year alone quiet Campbell McConnell will receive around $400,000 in textbook royalties.

• Say's Law (1803), devised by Jean Baptiste Say, which held that supply creates its own demand (and so there cannot be depressions).

• University of Pennsylvania's Sidney Weintraub's WCM (for Wage Cost Markup) theory, which asserted prices were determined simply by marking up the wage rate.

• The London School of Economics' A.W. Phillips' once-acclaimed and now debunked Phillips' Curve, which purports to say there is a tradeoff between inflation and employment.

There is this to be said for economic gimmicks: If yours catches on, it can make you rich, quickly. Just take today's "in" gimmick, which, as anyone who watches talk shows or reads *Time* or *Newsweek* knows, is Arthur Laffer's Laffer-Curve. This curve purports to show that there is an optimal level of taxation beyond which tax revenues will fall—in other words, if the state taxes away everything there will be nothing left to tax. Simplistic? Of course. Profitable? You bet. Laffer, who lives in a $225,000 house with swimming pool and makes $30,000 a year as a business and finance professor at USC, says he is now getting "between 35 and 40 requests a week to speak. I've had to start charging for my time." His price: $4,000 per talk, putting him almost in a lecture-fee class with Nobel prize-winners Samuelson and Milton Friedman. Laffer happily says he will make "over $100,000 this year."

You might wonder how young Arthur Laffer attained such prominence. Answer: In 1974, fast-rising political star and U.S. Congressman Jack Kemp saw an article in the *Wall Street Journal* by Associate Editor Jude Wanniski about economist Robert Mundell. Wanniski, who recalls that Laffer was "an ex officio adviser" to the *Journal*, introduced Kemp to Laffer. The *Journal* has since trumpeted the Kemp-Roth tax-cut bill and its economic guru, Art Laffer. And Wanniski, who recently left the paper, has written a fast-selling book about Lafferian economics.

We might add here a snippet from Haskell's *Emergence of Professional Social Science*. Haskell refers to the summer of 1885, when young Richard Ely was organizing the American Economic Association: "Ely nostalgically recalled 'tramping through the rain' with E.R.A. Seligman to the Associated Press office after the charter meeting of the AEA, 'to see that we had such publicity as we both felt we deserved.' "

So if you're a young economist about to be on the make, take a tip from politicians and aspiring actors: Be nice to journalists. They can make you a media star.

But our subject is economics, not the sociology of science. What else do economists do besides sell forecasts?

Economic consultants are in hot demand. This piece of the economics industry is dominated by three private firms which between them gross some $25 million annually.

The country's oldest economic consulting firm is 100-employee, $5 million (revenues) Robert Nathan Associates of Washington, D.C. Started in 1946, it is primarily a government contractor. It advises South Korea's government on developing new urban centers; it may analyze the costs and benefits of using U.S. Army paramedics in civilian life. "If I only wanted to make money," says founder Robert Nathan, "I'd do nothing but corporate work. Look: Our corporate work accounts for up to 75% of our profits, but less than 40% of our revenues."

Not to cry: By billing out young $20,000-a-year (*i.e.*, $10 an hour) economists at $22 an hour, Nathan earns between 12% and 15% on his equity, after taxes.

Boston's Charles River Associates (185 employees, $7 million in revenues) and Manhattan-based National Economic Research Associates (260 employees, over $10 million in revenues) both work mainly for private industry. Recently CRA analyzed ferro-scrap plant location economics, and NERA investigated the cost to the public of abandoning nuclear pow plant construction. Their equity returns, to judge from Rob Nathan's example, are probably double Nathan's.

One real gold mine for hungry economists familiar w market-concentration economics is expert-witness work today's fervid antitrust business. And we mean fervid: In t Justice Department's case against IBM, for just one examp IBM will call 5 economists to testify on its behalf, and t government will use over 20 for its side.

Says New York antitrust lawyer Barry J. Brett, who recen helped Berkey Photo win an $87 million judgment agai Eastman Kodak: "It has become so commonplace for eco mists to be employed in litigation that you almost *have* to br in an economist for your side even if you don't want to—a countervailing force against the other side's economist. S you get *your* economist to offset *their* economist's testimo and let the judge or jury decide on the basis of the r evidence. You simply cannot be devoid of your own exper even if his testimony illuminates nothing."

There's no doubt, of course, that an economist *can* illur nate matters. Jay Gould, founder and proprietor of New Yor $1.5 million (revenues) Economic Information Systems, In testified on behalf of Beatrice Foods Co. when the FTC tried block Beatrice's acquisition of $245 million (sales) oran juice-king Tropicana Products. "The government's case," calls Gould, "rested entirely on convincing the judge that t relevant market involved in the merger was $250 millio said the market could be as large as $2 billion, but was proba only $800 million." Apparently the judge believed Gould: T $490 million acquisition was completed last August.

For his testimony, Gould received $800 per day, plus penses—a total of perhaps $12,000 which Beatrice foods w have no trouble passing on to orange-juice drinkers. (You do think *companies* pay the cost of government-fighting, do yo

And as top-rated economists go, Jay Gould comes che Robert Nathan Associates' Nathan, NERA's President Irv M. Stelzer, and Charles Rivers Associates' President Ger Kraft all charge $1,200 *or more* per day for their time. Eat y hearts out, you top-ranked Wall Street lawyers and Big Ei CPA firm senior partners!

A word of warning to academic economists trying to str it rich as expert witnesses: Watch out for quicksand. Cou rooms are not like computer laboratories. Yale Universi eminent economist Merton J. Peck found this out the h way. Here's what happened:

When Berkey sued Eastman Kodak, Kodak hired Peck prepare expert economic testimony that Kodak's domin market share resulted from a history of superior manufact ing, *not* a history of acquisitions or predatory practices. I early in his research Peck wrote to Kodak's law firm, Dono Leisure Newton & Irvine, that he was not convinced by argument. The Kodak lawyers decided not to turn this in mation over to Berkey's lawyers. When Berkey's lawyers fir ly did discover Peck's wavering letter, they savagely and p licly ripped Peck's tesimony, his pride, and perhaps his repu tion to shreds.

Late last year the negligent Donovan Leisure lawyer, M lon Perkins Jr., went briefly to jail for contempt of court in sensational case. Peck, who was paid around $70,000 for work, has returned to Yale.

Economists' malpractice? There is no such thing—yet. I according to one of Citibank's 50 staff economists: "We talk all we want from our numbers but we're told *never* to anything in writing. We're afraid someone may sue us if t act on our information and we're wrong."

Who are the most prominent practitioners of this not esoteric art—which at the very least helps make our confus world more intelligible and, at best, may help make it m manageable?

Flip to page 3095 of the current *Books In Print*. We find th this entry:

Samuelson, Paul A.
—*Economics,* 10th ed. (illust.) 1976. Text ed. 16.95. Instructors manual 5.95. Study guide by Robinson 5.95. Test bank 5.95. Transparency masters 15.00. McGraw.

or those of you who graduated from college a decade or more o, test banks are ready-made exam questions for teachers d transparency masters are reproductions of the book's arts and graphs for overhead classroom projection.)

Economics is Paul Samuelson's introductory economics text-ok that has sold nearly 4 million copies. As the entry above ows, it is also a mini-industry whose entire product line goes $50 and provides income not only for Samuelson but also , among others, the author of the study guide, for the onomists who update the editions and for McGraw-Hill itors who look after things like test banks and transparency asters, not to mention book sales.

Paul Samuelson not only teaches income distribution; he *distributes* income. (His own take from *Economics*: about $200,000 a year and perhaps $5 million over the remark-le book's 30-year history. To this add his MIT salary, over 0,000; his *Newsweek* columnist's fee, over $10,000; his lec-re fees, reportedly around $7,000, and Samuelson's annual rnings come to well over $250,000 per annum, though he uses public comment on the estimates.)

Samuelson is not alone. The University of Nebraska's quiet mpbell McConnell's introductory textbook currently out-ls Samuelson's, 200,000 copies per year to 100,000. This ar McConnell will receive around $400,000 in royalties. her top-sellers in the 1.1-million-students-a-year introduc-y market: *The Economic Problem* by Robert (*The Worldly losophers*) Heilbroner and Lester Thurow; *Economics* by chard Lipsey and Peter Steiner; *Economics: Principles, Prob-s, Decisions* by Edwin Mansfield; and *Contemporary Econom-* by Milton Spencer, who was unsuccessfully sued a few years ck by McConnell for plagiarism.

These six books and their ancillary products will probably ss over $11 million this year, thanks to surging demand for sic economics from today's pragmatic student bodies.

How can we forget John Kenneth Galbraith? This Harvard fessor and critic of what he calls "private affluence/public ualor" has 14 books in print; this tally does not count joint thorships. Price for all 14: $64 if you buy paperbacks, $121 if u don't. With such a broadly diversified product line, it esn't take many individual title sales to pay the upkeep on lbraith's Gstaad, Switzerland ski chalet. And Galbraith has ne the other scribblers one step further: In 1977 the BBC, nerican PBS and Canadian public television spent $2 million produce his 26-part program, *Age of Uncertainty.* Galbraith d a handsomely illustrated, $17.95 book to the TV program. e U.S.-published edition has already sold over 80,000 copies us 70,000 more paperback copies) and an edition published Japan has sold 500,000 copies! Author's royalties are usually ound 12.5%. You figure it out.

Not to be outdone by liberal John Galbraith, conservative lton Friedman is producing a TV show, *Free Man, Free rket,* to be aired later this year. He, too, will tie a book to e show.

The future of the economics business? Don't look for the fession to solve the world's number one economic problem, gflation. "It is not yielding to promising lines of research," ys Samuelson, who believes the profession has already begun shift from macroeconomics to microeconomics. Thus we n expect to know more about how individual businessmen d industries behave, while less attention will be paid to how fine-tune the entire economy.

Otto Eckstein of DRI and Harvard agrees with Samuelson on e intractability of stagflation: "We *understand* stagflation. e problem is, our present democratic society would not accept what would be needed to cure it."

But *do* look for the economics business' phenomenal growth to continue. As economic consulting firm NERA President Irwin Stelzer puts it:

"I can tell from how hard it is for me to hire economists and from the way the government is snapping them up, paying them $25,000 or $30,000 a year to start, and up to $50,000 for experienced economists. The Energy Department is loaded with economists to implement the new Energy Act, which means business must load up to figure it all out. The more the government does, the more parallel work corporations must do. Economists are now on a par with lawyers."

On a par with lawyers—and CPAs and geophysicists and chemical engineers and journalists and dentists and all the other "better jobs" our complexifying society is deftly creating. These "better jobs" are, of course, new jobs and new costs—they must be paid for by increasing old prices. Does a bread company hire an economist (or an affirmative action expert, pollution control engineer, public relations man or staff psychiatrist) where it had none before? Then the price of bread must ultimately go up; how else can the bread company pay these worthies? In short, it is not only government deficit spending that puts up the price of bread and causes what we call "inflation." Our society is becoming daily more complex, creating dozens of new functions and hundreds of thousands of desirable new jobs that didn't exist before: nuclear engineers and stockholder relations specialists, astrophysicists, art "experts" and economists of every stripe and shade. (We suppose we ought to include business journalists to establish our objectivity.) These people produce little that is tangible and all of them must be paid. So, the price of bread and houses and cars goes up. *(For more on this aspect of inflation, see* FORBES, *Nov. 15, 1976 and Sept. 15, 1977.)*

Are those 100,000-odd economists worth that fraction of a penny extra on a loaf of bread? Our answer to that is to repeat the old advertising adage: We know that half our advertising is wasted but we don't know which half. Consider this—and it is true of any form of scientific seeking: In Switzerland in the late 1850s, after failing first as a journalist and then as a businessman, Marie Esprit Leon Walras tries his hand at economics and in a dazzling display of mathematical wizardry describes the economy in a highly abstract system of simultaneous equations. Absolutely useless—until 60 years later, in Moscow, when Wassily Leontief—building on Dr. François Quesnay's *Tableau Economique* (of 1758)—makes Walras' equations solvable and operational and produces the first sophisticated input-output table—still largely useless, for not until the 1940s, at MIT, is a computer developed that makes the Quesnay-Walras-Leontief invention *practical.* Finally Leontief wins a 1973 Nobel prize for the feat.

Was it worth the 200-year wait? Of course. Input-output techniques are used in planning everything from railway freight systems to developing economies. Says MIT's Samuelson: "Theoretical economics of the most rarified sort are in fact shot through the bone, muscle and fat of American business life. From the work on capital budgeting and leverage to the use of operations research in inventory control—to accounting, which is at bottom economics—it has permeated all of business. Nobody runs business on hunches anymore the way 1910 tycoons did."

And a good thing, too, because if modern economics has not solved all of our underlying economic problems it has certainly helped moderate the severity of the business cycle and helped make more efficient the management of enterprises that are far too vast and complex to be run out of the coat pocket of an old-fashioned captain of industry. By helping to make capitalism more gentle, economics has probably played a part in saving much of the world from socialism. For that we should all be willing to pay a bit more for a loaf of bread and not begrudge Ken Galbraith the millions he has made criticizing the system that nurtured him. ■

The Forbes yardsticks: 1978

How to use them

The heart of the Forbes 31st Annual Report on American Industry is the statistics that measure management performance in 1978 of the 1,006 biggest public companies, with latest fiscal year sales of over $275 million.

The Forbes yardsticks, as we call them, size up the companies in several essential ways. We measure their profitability in terms of return on stockholders' equity and on total capital. We measure their growth in both sales and earnings per share. For current trends we track these figures for the latest 12 months. For a longer view, we look at them over five years. We also measure stock market performance, debt-to-equity ratios and net profit margins.

Using all these measures, we compare each of the 1,006 companies against competitors in its own industry and against all 1,005 other companies. Finally, we compare the major industry groups themselves against one another. (We explain below how the principal yardsticks are calculated.) The Forbes yardsticks comprise the most comp rundown on the performance of co rate America you'll find anywhere.

To locate a company, refer to the t that begins on the opposite page: "Wh to find the company." It lists the 1, companies alphabetically and gives page where you will find the story ab its industry and the appropriate y sticks. You will also find in the alp betical listing how that company sta up against the others in profitabi growth and stock market performanc

How they are calculated

Return on stockholders' equity

Companies obtain their capital from two sources: stockholders and creditors. Return on stockholders' equity is the percentage return on the stockholders' portion of the capital. We express earnings per common share (primary basis*) as a percentage of the stockholders' equity per share (assuming conversion of all convertible preferreds) at the start of the year. The five-year return in our yardsticks tables is the average of the returns calculated for the years 1974 through 1977 and the 12-month period ending with the most recent quarterly report. (For companies whose fiscal years end in January, February or March, the years 1975-78 are used in place of 1974-77.)

Return on total capital

This figure is the percentage return on a combination of stockholders' equity (both common and preferred) plus capital from long-term debt (including current maturities), minority stockholders' equity in consolidated subsidiaries and accumulated deferred taxes and investment tax credits. The profit figure used in this computation is the sum of net income, minority interest in net income and estimated aftertax interest paid on long-term debt—in other words, income before charges (which means, primarily, interest payments on long-term debt) relating to the nonequity portion of the capital.

The return on total capital is a "basic" measure of an enterprise's profitability. It does not reflect—as the return on stockholders' equity does—the effects of financing decisions upon profitability. For companies that derive all of their capital from common equity, the two profitability measures would of course be identical. But a company that employs debt wisely can thereby boost its return on stockholders' equity well above its return on total capital. The time periods employed for this calculation are the same as for return on stockholders' equity.

Debt-to-equity ratio

The debt-to-equity ratio tells us to what extent management is using borrowed funds (leverage) in an attempt to upgrade profitability. It is calculated as of the end of the last reported fiscal year by dividing long-term debt (including current maturities) by the sum of stockholders' equity, minority stockholders' interests and accumulated deferred taxes and investment tax credits. A high debt-to-equity ratio makes earnings more volatile and is usually considered prudent only in relatively stable industries.

Net profit margin

The net profit margin gives a view of profits different from either the return on stockholders' equity or the return on total capital. Calculated by dividing net profits for the latest 12 months by net sales, it reveals what percentage of each dollar of revenue is available for payment of dividends and reinvestment in the business. Net profit margins vary widely from industry to industry.

Sales growth

This is a bit tricky. To even out short-run distortions caused by very poor or very good years, we reach back over ten years to measure five-year sales growth. We take the average sales for the most recent five years (1974 through the latest 12 months) and compute the percentage change from average sales for the preceding five years (1969 through 1973). We then express that change in terms of a five-year compounded annual rate of growth, since the midpoints of the two periods are five years apart.

Earnings-per-share growth

As with sales growth, we go back ten years to calculate the five-year rate of earnings-per-share growth. Using primary earnings per share, we compare those for the most recent five years against those for the preceding five years and express the change in terms of a five-year compounded annual growth rate.

** This assumes that all "common stock equivalents"—convertible bonds, convertible preferred stocks, warrants and stock options—have been converted into common shares.*

Where to find the yardsticks

Industry median rankings **Page 244**
Profitability rankings **Page 248**
Growth rankings **Page 259**
Stock market rankings **Page 267**

Where to Find the Company

	Rank					Rank			
company	profitability	growth	stock market	industry survey page	company	profitability	growth	stock market	industry survey page
Abbott Laboratories	159	207	131	99	Amer Hoist & Derrick	440	154	685	216
ACF Industries	548	538	824	216	American Home Products	13	449	879	99
Aetna Life & Cas	364	314	655	115	Amer Hospital Supply	514	365	900	99, 137
H F Ahmanson	518	467	285	115	American Intl Group	41	147	665	115
Air Prods & Chems	170	104	409	204	Amer Medical Intl	720	546	63	99
Akzona	940	927	926	204	American Motors	967	942	933	224
Albertson's	79	155	134	137	American Natl Finl	697	250	367	115
Alcan Aluminium	719	522	816	145	Amer Nat Resources	427	633	543	74
Alco Standard	199	231	69	238	American Petrofina	444	532	810	91
Alexander & Baldwin	316	99	476	55	Amer Re-Insurance	664	858	436	115
Alexander's	902	885	277	122	American Standard	261	**	55	62, 238
Alleghany Corp	533	63	168	238	American Stores	681	274	210	137
Allegheny Airlines	741	**	395	55	American Tel & Tel	676	619	501	74, 154
Allegheny Ludlum	812	462	797	113	Ametek	118	178	173	216
Allegheny Power	703	832	769	74	AMF	680	895	830	129, 238
Allen Group	731	300	180	224	Amfac	705	672	447	238
Allied Chemical	576	342	916	204	AMP	108	381	799	154
Allied Products	947	925	727	238	Ampex	650	**	57	154
Allied Stores	532	220	167	122	Amstar	316	314	483	83
Allied Supermarkets	999	975	1001	137	Amsted Industries	213	114	62	216
Allied Van Lines	798	765	186	55	Anchor Hocking	550	676	249	195
Allis-Chalmers	751	76	70	238	Anderson, Clayton	636	219	169	83
Alterman Foods	820	762	337	137	Anheuser-Busch	504	725	858	83
Alcoa	756	508	711	145	ARA Services	589	651	905	122
AM International	957	934	154	230	Arcata National	560	24	128	129
AMAX	769	760	779	145	Archer Daniels Midland	186	85	562	83
Amerace	491	625	668	216	Arden-Mayfair	984	975	367	137
Amerada Hess	388	708	804	91	Arizona Public Serv	536	673	601	74
American Airlines	872	**	371	55	Ark Louisiana Gas	223	436	335	74
American Bakeries	803	**	119	83	Arlen Realty & Dvpt	1003	975	704	122
Amer Beef Packers	996	942	1004	83	Armco	634	323	459	113
American Brands	506	706	349	99, 238	Armstrong Cork	816	749	865	62
Amer Broadcasting	209	200	158	129	Armstrong Rubber	865	681	361	224
American Can	592	191	412	195	Arvin Industries	272	192	431	224
American Cyanamid	475	628	458	99, 204	ASARCO	944	933	927	145
American Elec Power	682	854	778	74	Ashland Oil	101	179	250	91
American Express	231	288	878	115	Associated Dry Goods	825	835	875	122
American Financial	273	457	507	115	Athlone Industries	64	41	30	113
Amer Genl Insurance	417	311	340	115	Atlanta Gas Light	604	540	507	74
American Greetings	589	693	995	129	Atlantic Richfield	446	205	664	91

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
A-T-O	662	336	276	238
Auto Data Processing	143	149	590	230
Avco	240	19	59	115, 238
Avery International	690	564	987	216
Avnet	138	238	189	154
Avon Products	18	609	819	99, 122
Avondale Mills	887	842	840	150
Bache Group	892	77	295	115
Baker International	63	75	402	216
Ball Corp	507	404	127	195
Baltimore Gas & Elec	717	817	557	74
BanCal Tri-State	774	624	769	115
BancOhio Corp	737	699	692	115
Bangor Punta	924	**	36	238
Bank of New York	557	710	641	115
BankAmerica Corp	291	410	602	115
Bankers Trust NY	796	805	854	115
Barnes Group	432	428	161	224
Bausch & Lomb	326	152	714	99
Baxter Travenol	338	161	792	99
Beatrice Foods	278	491	596	83
Beckman Instruments	606	202	87	154
Becton, Dickinson	424	395	766	99
Beech Aircraft	62	29	34	211
Belco Petroleum	100	73	147	91
Bell & Howell	937	918	839	129
Bemis	765	360	407	195
Bendix	511	377	232	224, 238
Beneficial Corp	567	779	757	115, 122
Bergen Brunswig	918	408	121	137
Best Products	111	33	7	122
Bethlehem Steel	935	903	923	113
Big Three Industries	190	102	226	216
Bird & Son	104	112	95	62
Black & Decker	457	457	954	150
Blount	160	174	113	62
Blue Bell	74	107	101	150
Bluebird	427	312	153	83
Boeing	557	42	5	211
Boise Cascade	654	**	251	62, 195
Borden	619	410	473	83
Borg-Warner	738	606	331	224, 238
Borman's	903	32	90	137
Boston Edison	856	893	736	74
Braniff Intl	247	145	486	55
C F Braun	144	40	260	62
Briggs & Stratton	109	570	492	216
Bristol-Myers	103	399	433	99
Brockway Glass	560	597	117	195
Brooklyn Union Gas	707	796	635	74
Brown Group	732	807	591	122, 150
Browning-Ferris Inds	714	674	578	216
Bruno's	126	120	11	137
Brunswick	707	709	729	129, 238
Bucyrus-Erie	229	188	882	216
Bunker-Ramo	948	926	171	154
Burlington Inds	828	750	794	150
Burlington Northern	928	56	836	55
Burroughs	464	291	886	230
Business Men's Assur	900	506	497	115
Butler Manufacturing	183	153	211	62
Cabot	763	582	179	204
Cal-Maine Foods	9	16	780	137
Caldor	129	262	67	122
Cameron Iron Works	60	30	438	216
Campbell Soup	422	549	598	83
Campbell Taggart	258	327	150	83
Cannon Mills	893	717	387	150
Capital Cities Comm	221	213	142	129
Capital Holding Corp	563	431	856	115
Carnation	276	400	672	83
Carolina Pwr & Lt	668	741	674	74
Carpenter Technology	302	193	290	113
Carrier	742	704	207	62
Carson Pirie Scott	606	211	143	122
Carter Hawley Hale	651	735	873	122
Castle & Cooke	467	253	301	83
Caterpillar Tractor	106	254	479	216, 224
CBS	77	324	195	129
Ceco	921	914	788	62
Celanese	754	489	385	204
Centex	382	553	345	62
Central & South West	477	729	739	74
Central Illinois Lt	821	892	801	74
Central Ill Pub Svc	667	856	773	74
Centl Louisiana Engy	288	490	527	74
Central Soya	581	655	897	83
Central Steel & Wire	392	130	188	113
Central Tel & Utils	322	550	609	74
Certain-teed	572	559	482	62
Cessna Aircraft	285	364	83	211
CFS Continental	701	691	919	137
Champion Home	992	942	919	129
Champion Intl	500	496	521	62, 195
Champion Spark Plug	300	684	909	224
Charter Company	219	558	373	91
Charter New York	635	606	568	115
Chase Manhattan Corp	800	786	947	115
Chemical New York	679	684	746	115
Chesebrough-Pond's	184	500	866	99
Chessie System	868	156	762	55
Chic & North Western	123	404	56	55
Chic Bridge & Iron	152	321	976	216
Chic Pneumatic Tool	845	874	723	216
Chicago Rock Island	988	975	1000	55
Chromalloy American	336	640	428	238
Chrysler	968	942	917	224
Chubb	587	689	887	115
Cincinnati G & E	639	843	752	74
Cincinnati Milacron	766	237	193	216
Circle K	288	415	243	137
CIT Financial	715	792	870	115
Citicorp	355	379	944	115
Cities Service	696	471	742	91
Citizens & Southern	949	938	998	115
City Investing	790	718	422	238
City Stores	983	942	761	122
Clark Equipment	464	648	863	216, 224
Clark Oil & Refining	905	923	762	91
Cleveland Elec Illum	496	751	790	74
CleveTrust Corp	671	583	455	115
Clorox	208	731	772	150
Cluett, Peabody	896	865	287	150
CNA Financial	936	814	607	115
Coachmen Industries	32	35	9	129
Coastal States Gas	582	552	286	74
Coca-Cola	88	527	905	83
Coca-Cola Bottling NY	815	872	896	137
Colgate-Palmolive	270	419	883	99, 150
Collins & Aikman	642	821	512	150
Colonial Penn Group	22	122	966	115
Colt Industries	154	39	77	113

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Performance.

Take the top 500 companies featured in this magazine.

Take a look at their performance records. Now look at their computers. Ninety-two percent choose Digital.

Performance is what they're after. Performance is what they get.

Digital is good for business.

Digital Equipment Corporation, 146 Main Street, Maynard, Massachusetts 01754, Department PK3-2/M18. European headquarters: 12, av. des Morgines, 1213 Petit-Lancy/Geneva. In Canada: Digital Equipment of Canada, Ltd.

digital

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
Columbia Gas System	641	744	625	74
Columbia Pictures	2	**	10	129
Columbus & So Ohio	692	787	743	74
Combined Insurance	110	430	229	115
Combustion Engnrng	413	513	965	216
Commercial Metals	218	235	499	145
Commonwealth Edison	747	838	741	74
Commonwealth Oil	989	942	999	91
Computer Sciences	3	**	31	230
ConAgra	398	639	97	83
Cone Mills	340	50	92	150
Congoleum	785	827	194	62
Connecticut General	364	308	680	115
Consolidated Edison	701	498	520	74
Consolidated Foods	649	826	585	83
Consol Freightways	115	225	359	55
Consol Natural Gas	647	574	398	74
Consolidated Papers	346	89	51	195
Consumers Power	775	837	690	74
Continental Airlines	779	110	228	55
Continental Corp	627	493	555	115
Continental Group	519	365	445	195
Continental Illinois	387	429	689	115
Continental Oil	319	268	679	91
Continental Tel	613	798	813	74
Control Data	926	825	693	115, 230
Cook United	977	942	796	122
Cooper Industries	77	111	181	216
Adolph Coors	478	536	961	83
Copeland	175	446	380	154
Copperweld	330	281	343	113
Corning Glass Works	620	635	859	154
CPC International	239	407	271	83
Crane	89	47	65	113
Crocker Natl Corp	663	748	565	115
Crouse-Hinds	149	181	225	154
Crown Central Petrol	501	127	248	91
Crown Cork & Seal	324	319	519	195
Crown Zellerbach	550	443	800	195
Crum & Forster	415	517	363	115
Culbro	882	849	518	99
Cullum Companies	623	469	85	137
Cummins Engine	454	432	580	224
Curtiss-Wright	863	86	480	238
Cutler-Hammer	418	337	107	154
Cyclops	862	544	316	113
Cyprus Mines	888	909	988	145
Dan River	931	97	364	150
Dana	182	277	112	224
Dart Industries	451	353	133	238
Data General	67	21	350	230
Dayco	369	601	474	238
Daylin	1002	942	932	122
Dayton-Hudson	244	115	49	122
Dayton Power & Light	745	870	811	74
Dean Foods	244	113	29	83
Dean Witter Reynolds	580	646	328	115
Deere	238	217	465	224
DEKALB AgResearch	204	209	985	83
Del Monte	371	291	175	83
Delmarva Power & Lt	732	851	718	74
Delta Air Lines	254	384	644	55
Dennison Mfg	471	387	162	216
Denny's	85	117	102	129
DeSoto	805	758	517	62
Detroit Edison	837	878	735	74

company	Rank profitability	growth	stock market	industry survey page
Dexter	293	187	124	204
Diamond Intl	529	695	514	195
Diamond Shamrock	52	64	381	204
Dibrell Brothers	601	263	217	83
A B Dick	853	886	713	230
Di Giorgio	929	915	411	83, 137
Digital Equipment	295	53	406	230
Dillingham	907	415	384	238
Dillon Companies	57	142	219	137
Walt Disney	690	285	759	129
RR Donnelley & Sons	529	483	464	129
Dover Corp	83	230	115	62
Dow Chemical	47	105	716	204
Dow Jones	29	571	318	129
DPF	**	**	130	83
Dravo	521	307	358	62
Dresser Industries	131	151	533	216
Duke Power	736	751	587	74
Dun & Bradstreet Cos	95	576	642	129
E I du Pont	610	771	843	204
Duquesne Light	743	880	793	74
Dynalectron	833	690	749	62
E-Systems	102	26	27	211
Eagle-Picher Inds	249	371	141	216
Earth Resources	10	12	333	91
Eastern Air Lines	904	**	292	55
Eastern Gas & Fuel	334	185	471	91
Eastman Kodak	236	666	958	129
Eaton	414	600	442	224
Echlin Manufacturing	120	286	717	224
Jack Eckerd	174	213	547	122
Economics Laboratory	235	327	914	150
Edison Bros Stores	76	148	75	122
EG&G	278	55	352	154
El Paso Company	746	867	531	74
Eltra	525	495	390	154, 238
Emerson Electric	169	471	829	154
Emery Air Freight	6	254	890	55
Emhart	281	276	100	216
Engelhard Minerals	47	141	302	145
ENSERCH	351	573	671	74
Entex	45	64	37	74
Envirotech	695	277	921	216
Equifax	197	850	549	129
ERC	402	372	752	115
Esmark	597	349	525	83, 238
Ethyl	165	295	288	204
Evans Products	852	882	237	62
Ex-Cell-O	658	427	254	216
Exxon	352	529	623	91
Fairchild Camera	772	5	904	154
Fairchild Industries	564	456	20	211
Fairmont Foods	839	788	593	83
Farm House Foods	4	11	2	137
Farmers Group	114	264	376	115
Fed-Mart	533	540	720	122
Fedders	987	942	968	150
Federal Co	283	101	199	83
Federal-Mogul	541	561	300	224
Fedl Natl Mortgage	333	359	691	115
Federal Paper Board	424	272	172	195
Federated Dept Stores	433	534	569	122
Ferro	404	504	414	62
Fidelcor	859	907	996	115
Fieldcrest Mills	647	618	290	150
Firestone	897	889	731	224

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
First Bank System	459	598	910	115
First Charter Finl	453	325	484	115
First Chicago Corp	547	531	946	115
First City Bancorp	416	463	784	115
First Intl Bshs	305	382	851	115
First Natl Boston	790	784	913	115
First Natl Supermkts	990	975	964	137
First Penna Corp	822	897	992	115
First Wisconsin Corp	890	898	861	115
Fischbach & Moore	410	645	950	62
Fisher Foods	395	622	827	137
Fleetwood Enterprises	631	733	122	129
Fleming Companies	250	421	306	137
Flickinger	446	369	98	137
Flintkote	866	721	209	62
Florida Power	611	760	556	74
Florida Power & Lt	623	663	616	74
Flowers Industries	119	228	157	83
Fluor	91	57	821	62
FMC	548	450	404	238
Food Fair	954	**	980	137
Foodarama Supermkts	472	**	118	137
Ford Motor	504	569	477	224
Foremost-McKesson	350	608	315	137
Fort Howard Paper	36	107	139	195
Foster Wheeler	217	160	631	216
Foxboro	480	100	615	216
Franklin Life Ins	394	567	674	115
Franklin Mint	58	176	972	129
Frederick & Herrud	543	810	911	83
Freeport Minerals	501	401	583	204
Fruehauf	593	676	444	224
Fuqua Industries	915	917	425	129, 238
GAF	950	928	491	238
Gamble-Skogmo	813	812	755	122
Gannett	216	270	453	129
Gardner-Denver	615	819	959	216
Garfinckel Brooks Bros	615	631	305	122
Gas Service	806	802	522	74
GATX	885	899	979	216
Geico	196	67	53	55
General Cable	651	603	197	145
General Cinema	173	318	89	129
General Dynamics	717	118	61	211
General Electric	209	482	834	150,154,238
General Foods	369	590	451	83
General Host	950	942	467	83
General Instrument	829	222	163	154
General Mills	243	306	613	83
General Motors	273	680	526	224
General Public Utils	759	809	653	74
General Refractories	960	937	498	216
General Reinsurance	178	252	762	115
General Signal	459	403	594	216
General Tel & Elec	486	670	547	74, 154
Genl Tire & Rubber	552	465	236	224, 238
Genesco	994	942	727	122, 150
Genuine Parts	141	310	611	224
Georgia-Pacific	193	294	561	62, 195
Gerber Products	384	642	215	83
Getty Oil	473	182	707	91
Giant Food	523	562	258	137
Gifford-Hill	669	612	391	62
Gillette	242	775	885	99
Gino's	514	714	937	129
Girard	800	839	674	115
Godfrey	470	445	332	137
Goldblatt Brothers	959	936	803	122
B F Goodrich	913	713	606	224
Goodyear	819	836	624	224
Gordon Jewelry	459	343	227	122
Gould	344	279	176	154
Govt Employees Ins	980	942	1003	115
W R Grace	493	264	579	204, 238
W W Grainger	176	283	700	154
Graniteville	516	215	397	150
Gray Drug Stores	617	659	76	122
Great Atl & Pac Tea	979	942	929	137
Gt Northern Nekoosa	390	199	264	195
Gt Western Financial	576	314	446	115
Green Giant	839	743	389	83
Greyhound	711	829	775	55, 83
Grumman	164	**	202	211
Gulf & Western Inds	156	137	356	238
Gulf Oil	585	567	620	91
Gulf Resources & Chem	42	**	817	145
Gulf States Utils	673	810	783	74
Gulf United	638	754	449	115
Halliburton	70	66	694	62
Hammermill Paper	728	302	637	195
Handy & Harman	72	83	126	145
Hanes	631	270	16	150
Hanna Mining	630	625	925	113
Hannaford Bros	355	373	218	137
Hanover Insurance	313	361	204	115
Harcourt Brace Jovan	407	559	222	129
Harnischfeger	408	98	323	216
Harris Bankcorp	605	555	603	115
Harris Corp	539	499	39	154, 216
Harsco	240	304	125	216
Hart Schaff & Marx	871	840	708	150
Hartfield-Zodys	1000	975	46	122
H J Heinz	439	284	515	83
Walter E Heller Intl	462	780	981	115
Hercules	725	773	969	204
Hershey Foods	251	329	361	83
Heublein	229	353	938	83
Hewlett-Packard	222	132	655	154, 230
Hilton Hotels	290	169	25	129
Edward Hines Lumber	876	808	586	62
Hobart	467	666	844	216
Holiday Inns	783	789	448	129
Honeywell	778	693	725	154, 230
Hoover Co	870	906	957	150
Hoover Universal	112	398	110	224
George A Hormel	507	488	416	83
Hospital Corp of Am	267	143	114	99
Houdaille Industries	227	363	91	216
Household Finance	405	628	738	115, 122
Houston Industries	524	687	662	74
Houston Natural Gas	34	68	262	74
Howard Johnson	583	504	754	129
Hughes Tool	372	79	654	216
Humana	419	158	24	99
Hunt Intl Resources	145	769	15	83
E F Hutton Group	139	134	116	115
Hyatt Corp	330	638	104	129
Hyster	430	392	338	216, 224
IC Industries	861	587	543	55, 238
Ideal Basic Inds	403	258	571	62
Idle Wild Foods	129	90	151	83
Illinois Power	593	841	740	74

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
Illinois Tool Works	319	480	706	216
Imperial Corp of Am	127	244	234	115
INA	720	683	622	115
Inco Ltd	627	797	978	145
Ingersoll-Rand	378	634	963	216
Inland Steel	693	466	529	113
Insilco	380	586	303	150
Intel	7	4	273	154
Interco	450	590	375	150
Interlake	723	275	284	113
IBM	125	375	604	230
Intl Flavors & Frag	99	333	928	99
Intl Foodservice	995	942	991	137
Intl Harvester	781	333	452	224
Intl Minerals & Chem	25	9	494	204
Intl Multifoods	490	425	348	83
International Paper	367	218	847	195
Intl Systems	997	942	997	62
Intl Tel & Tel	748	775	630	238
Interpace	674	373	265	62
Investors Div Svcs	851	891	270	115
Iowa Beef Processors	73	61	41	83
Itel	98	20	23	230
IU International	735	715	945	238
Jefferson-Pilot	538	421	787	115
Jewel Companies	772	793	698	137
Jim Walter	265	296	201	62
Johns-Manville	712	665	400	62
Johnson & Johnson	207	346	881	99
Johnson Controls	348	475	68	216
Jonathan Logan	918	912	765	150
Joy Manufacturing	366	226	618	216
K mart	233	246	868	122
Kaiser Alum & Chem	559	175	307	145
Kaiser Steel	818	224	560	113
Kane-Miller	832	653	841	83
Kaufman & Broad	945	932	949	62
Kay	686	301	106	83
Kellogg	35	326	535	83
Kellwood	643	746	667	150
Kemper Corp	226	313	257	115
Kennecott Copper	943	931	955	91, 145
Kerr Glass Mfg	381	87	696	195
Kerr-McGee	352	204	961	91
Keystone Consolidated	914	440	781	113
Walter Kidde	545	172	240	238
Kimberly-Clark	358	159	437	99, 195
Kings Dept Stores	189	446	145	122
Knight-Ridder News	456	397	241	129
Koehring	889	747	597	216
Koppers	264	162	239	238
Kraft	438	546	540	83
Kroger	654	522	253	137
Kuhn's-Big K Stores	567	719	600	122
Laclede Gas	646	781	647	74
Lane Bryant	659	772	415	122
Lear Siegler	213	242	60	154, 238
Leaseway Transportn	75	240	263	55
Levi Strauss	17	45	45	150
Levitz Furniture	849	851	493	122
Libbey-Owens-Ford	602	791	688	224
Liberty Natl Life	598	542	903	115
Liggett Group	842	847	490	83, 99
Eli Lilly	113	435	935	99
Lincoln Natl Corp	743	647	733	115
Liquid Air of No Amer	308	177	537	204

company	Rank profitability	growth	stock market	industry survey page
Litton Industries	972	942	64	238
Lockheed	1	**	21	211
Loews	140	210	214	99, 125
Lone Star Industries	752	726	552	62
Long Island Lighting	542	754	660	74
Longs Drug Stores	92	266	719	122
Longview Fibre	284	438	178	195
Louisiana Land	28	530	982	91
Louisiana-Pacific	270	525	703	62, 195
M Lowenstein & Sons	963	942	569	150
Lowe's Companies	135	332	845	137
LTV	934	**	872	113, 238
Lubrizol	59	259	534	204
Lucky Stores	90	507	366	137
Lukens Steel	716	257	785	113
Lykes	975	942	277	113
Macmillan	895	643	344	129
R H Macy	564	492	212	122
Magic Chef	845	799	298	150
Mallinckrodt	197	167	864	204
P R Mallory	843	784	86	154
Malone & Hyde	162	287	339	137
Manhattan Industries	909	901	272	150
Mfrs Hanover Corp	426	479	748	115
MAPCO	12	59	610	91
Marathon Mfg	254	8	103	216
Marathon Oil	300	357	566	91
Maremont	762	669	861	224
Marine Midland Banks	923	924	895	115
Marriott	660	361	876	129
Marsh & McLennan	16	391	432	115
Marsh Supermarkets	398	330	166	137
Marshall Field	859	861	682	122
Martin Marietta	493	481	233	238
Maryland Cup	587	493	96	195
Masco	81	135	776	62
Masonite	674	773	936	62
Massey-Ferguson	893	649	951	224
Mattel	10	**	93	129
May Dept Stores	583	452	346	122
Oscar Mayer	358	464	423	83
Maytag	56	698	709	150
MBPXL	598	588	135	83
MCA	54	38	26	129
McCormick & Co	384	338	884	83
J Ray McDermott	30	25	789	62
McDonald's	53	88	811	129
McDonnell Douglas	636	804	203	211
McDonough	280	297	120	150
McGraw-Edison	643	728	487	154
McGraw-Hill	306	394	72	129
McLean Trucking	188	380	846	55
McLouth Steel	962	**	918	113
Mead	185	69	164	195
Mellon National Corp	753	662	559	115
Melville	44	261	149	122, 150
Memorex	**	**	3	230
Mercantile Stores	419	501	835	122
Merck	39	414	867	99
Meredith	412	96	73	129
Merrill Lynch & Co	589	692	472	115
MGM	49	**	4	129
Metromedia	237	150	17	129
Fred Meyer	322	290	441	137
Michigan National	299	453	553	115
Middle South Utils	633	766	745	74

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Think of ALL·STEEL as increased worker productivity.

What makes it happen is one of the most comprehensive lines of office furniture available. Our furniture is designed to improve your office environment. That means you can attract the kind of people you're looking for, and they can be more productive.

What makes it possible is our unusually comprehensive line. An almost endless choice, to accommodate any office plan.

ALL·STEEL
ONE OF THE [illegible] COMPANIES

All-Steel also protects your investment. Everything you buy from us now will be compatible with whatever you need in the future. Design continuity is built in.

We have the capacity to produce what you need, when you need it. And we can get it to you, and service it, through our national distribution network.

If you're planning an office, for more information, write to: All-Steel Inc., Aurora, IL 60507.

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
Midland Ross	467	82	71	216
Minn Mining & Mfg	17	542	837	238
Missouri Pacific Corp	26	173	144	55
Mobil	476	515	475	91
Modern Merchandising	83	37	6	122
Mohasco	906	890	809	150
Monfort of Colorado	939	920	460	83
Monsanto	329	226	731	204
Moore Corp	202	476	953	230
Moore McCormack Res	153	1	12	55
J P Morgan & Co	388	467	891	115
Morrison-Knudsen	572	80	505	62
Morse Shoe	374	460	13	122
Morton-Norwich	823	871	309	99
Motorola	569	477	820	154
Munford	932	919	485	137
G C Murphy	880	794	729	122
Murphy Oil	405	208	541	91
Nabisco	315	610	468	83
Nalco Chemical	86	320	750	204
Nash Finch	228	247	342	137
Nashua	528	696	941	230
National Airlines	873	783	220	55
National Can	826	844	156	195
Nati Detroit Corp	595	601	374	115
National Distillers	488	184	379	83, 238
National Fuel Gas	781	723	495	74
National Gypsum	787	643	347	62
National Kinney	998	942	929	238
Nati Semiconductor	27	15	684	154
National Svc Inds	375	724	326	238
National-Standard	512	377	640	113
National Steel	858	730	701	113
National Tea	982	975	442	137
Nationwide Corp	809	484	329	115
Natomas	66	13	646	91
NCNB	725	801	993	115
NCR	396	28	261	230
New England Electric	699	745	537	74
New England G & E	611	704	542	74
New York State Elec & Gas	683	756	666	74
New York Times	498	628	140	129
Newmont Mining	867	905	894	145
Niagara Frontier Svc	38	71	66	137
Niagara Mohawk Pwr	728	764	632	74
NICOR	411	664	478	74
A C Nielsen	209	410	790	129
N L Industries	677	620	281	238
NLT	705	474	417	115
NN Corp	830	888	403	115
Norfolk & Western Ry	756	197	795	55
Norin	898	921	200	83
Norris Industries	170	455	146	62
North American Coal	376	129	807	91
North Amer Philips	585	440	426	154
Northeast Utilities	770	845	786	74
No Indiana Pub Svc	660	848	774	74
Northern Natural Gas	158	163	388	74
No States Power	602	767	697	74
Northern Trust	620	613	530	115
Northrop	137	119	19	211
Northwest Airlines	770	496	457	55
Northwest Bancorp	448	521	815	115
Northwest Energy	327	418	224	74
Northwest Industries	151	84	82	238
Northwestern Steel	464	687	546	113
Norton	640	413	221	216
Norton Simon	479	611	510	83
NVF	93	103	40	113
Occidental Petroleum	193	196	222	91
Ogden	172	94	182	238
Ohio Casualty	134	426	564	115
Ohio Edison	683	862	798	74
Oklahoma Gas & Elec	554	778	860	74
Oklahoma Natural Gas	123	273	355	74
Olin Corp	664	2	129	238
Olinkraft	263	229	47	195
Olympia Brewing	879	877	608	83
Outboard Marine	792	851	669	129
Owens-Corning Fbrgls	262	203	439	62
Owens-Illinois	728	539	503	195
Oxford Industries	**	707	**	150
Pabst Brewing	831	855	943	83
PACCAR	195	385	469	224
Pac Gamble Robinson	509	510	627	137
Pacific Gas & Elec	748	823	686	74
Pacific Lighting	804	775	589	74
Pacific Pwr & Lt	622	737	831	74
Pacific Resources	436	444	645	91
Paine Webber	463	195	204	115
Pamida	768	782	769	122
Pan Am World Airways	961	**	314	55
Panhandle Eastern	282	535	567	74
Parker-Hannifin	256	448	462	216
Parker Pen	156	133	54	129
Parsons	15	62	360	62
Pay Less Drug (Cal)	656	742	367	122
Pay Less Drug NW	204	256	136	122
Pay'n Save	142	139	208	122
Peabody Intl	535	215	758	216
Peavey	378	140	230	83
Penn-Dixie Inds	984	942	901	62
J C Penney	554	654	974	122
Pa Power & Light	596	722	651	74
Pennwalt	516	240	317	204
Pennzoil	133	168	333	91
Peoples Drug Stores	868	834	289	122
Peoples Gas	386	557	297	74
PepsiCo	155	376	577	83
Perini	848	22	148	62
Perkin-Elmer	488	433	850	154
Petrie Stores	20	126	304	122
Petrolane	71	188	235	91
Pfizer	260	518	842	99
Phelps Dodge	916	922	971	145
Phila Electric	816	869	733	74
Philadelphia Natl	686	770	744	115
Philip Morris	105	239	506	99
Philips Industries	969	942	391	129
Phillips Petroleum	246	146	751	91
Phillips-Van Heusen	958	939	463	150
Pillsbury	367	352	279	83
Pioneer Corp	21	91	299	74
Pioneer Hi-Bred Intl	46	74	325	83
Pitney-Bowes	232	48	84	230
Pittston	19	70	313	91
Pneumo Corp	396	3	18	137
Polaroid	764	684	888	129
H K Porter	613	6	196	216
Potlatch	308	92	184	195
Potomac Elec Power	759	763	558	74
PPG Industries	689	486	320	62, 238

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
Procter & Gamble	215	512	721	99, 150
Provident Life & Acc	212	243	663	115
Public Service Colo	780	860	652	74
Public Service Ind	452	660	650	74
Pub Svc Elec & Gas	740	830	495	74
Pueblo International	978	942	823	137
Pullman	608	349	871	216
Purex Industries	441	556	413	150
Purolator	496	805	818	224
Quaker Oats	495	580	806	83
Quaker State Oil	310	584	942	91
Questor	956	935	572	224
Ralston Purina	252	369	737	83
Ramada Inns	925	916	386	129
Rapid-American	955	940	659	122, 150
Rath Packing	1001	942	940	83
Raymond Intl	148	7	204	62
Raytheon	187	212	94	154,211,238
RCA	431	340	410	129,150,154
Reeves Brothers	670	515	242	150
Reichhold Chemicals	519	223	354	204
Reliance Electric	61	249	275	154
Reliance Group	986	701	78	115
Republic Natl Life	527	575	246	115
Republic of Texas	285	248	724	115
Republic Steel	886	460	612	113
Reserve Oil & Gas	458	128	440	91
Revco D S	203	234	310	122
Revere Copper	953	845	311	145
Revlon	128	317	269	99
Rexnord	267	245	187	216
R J Reynolds Inds	126	537	424	99
Reynolds Metals	734	136	293	145
Richardson-Merrell	482	594	838	99
Riegel Textile	481	121	256	150
Rite Aid	291	232	509	122
Roadway Express	69	206	874	55
H H Robertson	656	578	231	62
A H Robins	327	641	967	99
Rochester Gas & Elec	755	790	614	74
Rockwell Intl	569	650	466	211, 238
Rohm & Haas	884	873	973	204
Rohr Industries	981	942	782	211
Rollins Inc	87	417	605	150
Roper Corp	836	831	327	150
Rose's Stores	877	894	989	122
Royal Crown Cos	257	565	726	83
Ruddick	766	44	43	137
Ryan Homes	150	388	372	62
Ryder System	566	655	825	55
Safeco	455	436	687	115
Safeway Stores	433	613	626	137
Saga Corp	373	513	554	122
St Joe Minerals	121	348	488	91, 145
St Louis-San Fran Ry	908	670	618	55
St Paul Companies	160	309	848	115
St Regis Paper	574	302	777	195
Sambo's Restaurants	43	81	808	129
San Diego Gas & Elec	688	815	658	74
Santa Fe Industries	847	356	760	55
Santa Fe Intl	122	54	513	62
Sav-On-Drugs	579	593	159	122
Savannah Foods	382	813	657	83
Saxon Industries	938	910	383	195
Schering-Plough	50	251	986	99
Jos Schlitz Brewing	789	881	1002	83

company	Rank profitability	growth	stock market	industry survey page
Schlumberger	24	51	365	154
SCM	725	72	212	238
SCOA Industries	145	17	14	122, 150
Scot Lad Foods	974	942	856	137
Scott & Fetzer	179	623	587	238
Scott Paper	802	661	617	150, 195
Scovill Mfg	857	911	353	150
Seaboard Allied Milling	623	390	137	83
Seaboard Coast Line	882	676	722	55
Seafirst	392	477	524	115
Seagram	824	674	907	83
G D Searle	750	900	970	99
Sears, Roebuck	643	736	952	115, 122
Seatrain Lines	878	**	35	55
Security Pacific	609	615	399	115
SEDCO	219	138	956	62
Service Merchandise	5	14	1	122
Servomation	664	679	48	122
Shell Oil	320	233	673	91
Sheller-Globe	320	519	378	224
Sherwin-Williams	932	902	914	62
Shop Rite Foods	991	942	934	137
Shopwell	964	941	308	137
Sigmor	39	131	105	91
Signal Companies	482	43	191	224, 238
Signode	445	562	814	216
Simmons	911	896	434	150
Singer	976	942	990	150, 238
Skaggs Companies	206	180	81	122
Skyline	756	908	712	129
A O Smith	901	859	357	224
Smith International	81	46	322	216
SmithKline Corp	55	434	58	99
So Carolina E & G	626	803	621	74
Southeast Banking	834	887	983	115
So Calif Edison	697	651	429	74
Southern Company	759	863	756	74
So Natural Resources	201	385	454	74
So New England Tel	775	739	638	74
Southern Pacific	916	815	899	55
Southern Railway	712	420	705	55
Southern Union	421	605	822	74
Southland Corp	435	338	155	137
Southwest Forest Inds	837	832	394	62, 195
Southwestern Life	486	470	855	115
Southwestern Pub Svc	168	572	470	74
Sperry & Hutchinson	841	904	420	238
Sperry Rand	522	392	710	230, 238
Springs Mills	930	732	324	150
Square D	106	599	828	154
Squibb	337	545	880	99
A E Staley Mfg	180	77	108	83
Stanadyne	258	402	216	216
Standard Brands	358	566	702	83
Standard Oil Calif	485	520	456	91
Standard Oil Ind	276	221	643	91
Standard Oil Ohio	627	269	699	91
Stanley Works	552	546	419	150
Stauffer Chemical	117	125	247	204
Sterling Drug	324	699	948	99
J P Stevens	855	198	573	150
Stewart-Warner	498	592	539	216
Stokely-Van Camp	854	577	160	83
Stone Container	296	124	396	195
Stop & Shop	491	365	504	137
Strawbridge & Clothier	796	617	370	122

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

Where to Find the Company

company	Rank profitability	growth	stock market	industry survey page
Studebaker-Worthington	443	281	88	216
Suburban Propane Gas	441	503	649	91
Sun Chemical	560	526	132	204
Sun Company	294	267	832	91
Sunbeam	651	616	680	150
Sundstrand	304	109	296	216
Super Food Services	358	201	79	137
Super Valu Stores	68	171	50	137
Superior Oil	788	331	629	91
Supermarkets General	554	579	244	137
Sybron	618	632	939	238
Sysco	296	288	449	137
Talley Industries	484	358	165	150
Tampa Electric	513	668	500	74
Tandy	8	10	245	122, 129
Tappan	970	942	532	150
Tecumseh Products	339	595	312	216
Tektronix	341	186	190	154
Teledyne	23	27	8	154, 238
Tenneco	253	459	435	74, 238
Tesoro Petroleum	881	864	994	91
Texaco	683	820	802	91
Texas Comm Bshs	298	343	852	115
Texas Eastern	437	585	869	74
Texas Gas Transmn	390	508	336	74
Texas Instruments	306	297	849	154
Texas Oil & Gas	33	49	283	91
Texas Utilities	536	711	768	74
Texasgulf	448	524	912	145
Textron	357	596	430	238
Thiokol	310	188	109	204
Thriftimart	946	635	185	137
Thrifty Corp	827	875	294	122
Ticor	864	800	551	115
Tiger International	724	734	550	55
Time Inc	287	260	123	129
Times Mirror	273	383	274	129
Timken	531	528	405	216
Toledo Edison	545	817	826	74
Tosco	80	93	931	91
Trane	775	759	481	62
Trans Union	422	604	877	216
Trans World Airlines	941	305	599	55
Transamerica	544	355	280	115, 238
Transco Companies	474	824	341	74
Transway Intl	190	409	330	55
Travelers	576	424	683	115
TRW	223	484	198	238
Turner Construction	363	703	319	62
Twentieth Century-Fox	95	**	28	129
Tyler	65	105	38	216
UAL	678	18	461	55
Union Bancorp	807	715	267	115
Union Camp	132	165	523	195
Union Carbide	362	322	639	204, 238
Union Electric	699	821	636	74
Union Oil California	352	349	563	91
Union Pacific	795	293	576	55
Uniroyal	942	913	889	224
United Brands	966	942	574	83
Utd Energy Resources	37	34	32	74
United Merch & Mfrs	993	942	984	150
United Refining	569	637	661	91
U S Bancorp	302	345	421	115
U S Fidelity & Gty	192	299	393	115
United States Filter	814	36	418	62
U S Gypsum	739	657	401	62

company	Rank profitability	growth	stock market	industry survey page
U S Home	811	884	268	62
U S Industries	922	930	678	238
United States Shoe	401	510	183	150
United States Steel	835	406	747	113
United Technologies	248	95	80	211, 23
United Telecom	318	620	575	74
Univar	343	166	321	137
Universal Leaf	376	335	99	137
Upjohn	199	423	908	99
USLIFE	345	453	922	115
Utah Power & Light	703	794	595	74
UV Industries	97	144	259	154
Varian Associates	891	116	502	154
VF Corp	314	473	670	150
Va Electric & Power	784	857	674	74
Vornado	965	942	111	122
Vulcan Materials	136	183	170	238
Wachovia Corp	525	581	**	115
Wal-Mart Stores	31	58	74	122
Waldbaum	503	341	351	137
Walgreen	710	740	266	122
Hiram Walker	709	767	923	83
Wallace-Murray	234	451	137	216
Ward Foods	920	975	377	83
Warnaco	970	942	695	150
Warner & Swasey	875	711	902	216
Warner Communicatn	180	396	42	129
Warner-Lambert	334	589	898	99
Washington Gas Light	844	828	581	74
Washington Natl Corp	808	720	408	115
Washington Post	94	123	33	129
Del E Webb	786	627	44	62, 12
J Weingarten	912	876	255	137
Weis Markets	147	346	152	137
Wells Fargo	509	439	516	115
West Point-Pepperell	722	236	427	150
Western Air Lines	342	60	584	55
Western Bancorp	598	658	382	115
Western Union	927	868	582	74
Westinghouse Elec	810	756	893	150,154,2
Westmoreland Coal	14	31	192	91
Westvaco	409	164	628	195
Wetterau	266	487	715	137
Weyerhaeuser	346	533	892	62, 195
Wheelabrator-Frye	398	23	174	216
Wheeling-Pitts Steel	952	866	833	113
Whirlpool	349	702	805	150
White Consolidated	166	170	238	238
White Motor	973	942	853	224
Whittaker	849	157	22	238
Wickes	874	883	511	122
Willamette Inds	166	280	252	62, 19
Williams Companies	540	502	977	204
Winn-Dixie Stores	115	442	634	137
Wisconsin Elec Power	693	697	633	74
Wisconsin Gas	671	753	536	74
Wisconsin Pub Svc	575	681	528	74
Witco Chemical	332	368	282	204
F W Woolworth	799	727	648	122
Wm Wrigley Jr	267	551	489	83
Wyman-Gordon	163	52	51	211
Xerox	225	554	975	230
Yellow Freight System	51	194	545	55
Zale	792	738	592	122
Zapata	794	388	767	238
Zayre	899	879	177	122
Zenith Radio	910	929	960	150

PROFITABILITY: 5-Year Return on Equity. GROWTH: 5-Year Compounded Annual Earnings Per Share Growth. STOCK MARKET: 5-Year Price Change.
**Not ranked.

SEAGRAM DISTILLERS CO., N.Y.
Crown Royal
THE LEGENDARY CANADIAN
Seagram's
Crown Royal
It was a very good year.

300 SD

These two Mercedes-Benz cars just rewrote Diesel history–by adding the word "performance."

It was a 1-2 punch that forever shattered the "stodgy Diesel" image. First, that ultra-streamlined 195.4-mph coupe sped to 9 world records in 12 hours on the power of a revolutionary Diesel engine. Then Mercedes-Benz put the same basic engine in a car you can buy: the 300SD Turbodiesel Sedan. At long last, the performance Diesel is here – and from stoplights to filling stations, the benefits must be experienced to be believed.

Do not confuse the Mercedes-Benz 300SD Turbodiesel Sedan with any Diesel automobile you have driven or heard about before.

It is the most technically advanced Diesel that Mercedes-Benz has ever built – but beyond this, it is probably the most *exciting* Diesel automobile anyone has ever built for public sale.

"The most stunning quality of the 300SD, by far, is its acceleration."

– AUTOWEEK

Generating much of that excitement is an engine unlike any ever used in a Diesel car before: a 5-cylinder, 3-liter, *turbocharged* engine.

After testing the Turbodiesel with this power plant, *Road & Track* magazine reported that its 0-60 time of 12.7 seconds eclipsed all other production Diesel cars available today.

Diesel driving, transformed

The effect in everyday driving must be felt to be fully grasped.

You are turbocharged away from stoplights, up long grades, through passing maneuvers, with a feeling of power to spare. In highway traffic, you can maintain the pace with velvet ease.

That newfound sense of power is no illusion: turbocharging this Diesel engine boosts maximum power by 43 percent – and maximum torque by a lusty 46 percent.

195.4-mph Diesel engine

The engine that powers the 300SD Turbodiesel Sedan barely differs in design and major components from the engine that recently made performance history.

The date was April 30, 1978. The place, a circular 7.8-mile track at Nardò, Italy. Driving in relays, dodging fog, fatigue and the odd errant hedgehog, four drivers piloted their fin-tailed C-111/3 research vehicle around and around and around – until, 12 hours later, 9 new world speed records had been set. That C-111/3 had lapped Nardò at an average speed of 195.4 mph for the full 12 hours – including one extraordinary lap at 203 mph.

Diesel efficiency unchanged

Yet the most amazing news about the Turbodiesel engine may not be its performance at all.

Note that while it was averaging 195.4 mph for those 12 hours, that C-111/3 record car was also averaging 14.7 miles per gallon.

In short, you can have your cake and eat it too. Vivid new performance has been injected into the Diesel engine – without subtracting from its legendary fuel efficiency by as much as a single drop.

For example, compare the Turbodiesel with the lively 300D Sedan and its similar but un-turbocharged engine. Though a larger car than the 300D and a good 320 lbs. heavier, the Turbodiesel is not only quicker in acceleration; it uses *even less* fuel. EPA estimates show 29 mpg in highway driving, 24 mpg in the city. (Your mileage of course will depend on the condition and equipment of your car and on where and how you drive.)

"The handling is superb, the suspension always in control. It is a pleasure to drive...and drive ...and drive."

– AUTOWEEK

The 300SD Turbodiesel would be newsworthy even if there were nothing new under its hood.

It is the roomiest Diesel Mercedes-Benz has ever built, the most sumptuously appointed, and the most civilized to ride in.

"On the sound meter," *Road & Track* found, "the 300SD's readings were virtually identical to those of the 450SEL we tested last May."

But despite a plush interior environment of soft velour carpet and hand-finished veneers and thickly padded seats, the Turbodiesel shines in brisk driving; it aims for over-the-road performance seldom found in "luxury" or "prestige" sedans.

Consider some vital statistics. It is less than 18 feet long, needs a mere 2.7 turns of the steering wheel lock-to-lock, and whips around within a turning circle of 38 feet. It is almost playfully maneuverable.

And it needn't be babied along on back roads. The fully independent suspension helps assure that the tires are in constant contact with the road. The car is not knocked off course by every bump and pothole.

The engineers even built a shock absorber into the Turbodiesel's steering system, to help muffle the jolts before they can reach your hands on the wheel. Engineering luxuries abound: gas-pressurized shock absorbers, light-alloy wheels, and four-wheel disc brakes.

Power-assisted steering and brakes, and a precision-engineered automatic transmission with *four* speeds, help make this performance car almost physically effortless to drive.

Can you resist a test drive?

With the 300SD Turbodiesel, AUTOWEEK concludes, "The Diesel passenger car has come of age."

It seems only logical that the company that pioneered the world's first production Diesel passenger car in 1936 should, two million cars and 50 years of experience later, pioneer the performance Diesel sedan.

© 1978 Mercedes-Benz of North America, Inc., One Mercedes Drive, Montvale, N.J. 07645

The record-breaking Mercedes-Benz C-111/3 (right) and the 300SD Sedan, powered by the same basic turbocharged Diesel engine

The energy world is faced with a burning question.

The problem: how to burn coal as a major energy fuel without contaminating the atmosphere.

FMC has two effective solutions: (1) coal preparation systems, which, among other benefits, reduce the sulfur content in coal before it is burned (2) a patented double alkali scrubber system, which removes sulfur dioxide and particulates caused by coal combustion.

FMC has been advancing coal technology for more than 70 years. Our mining vehicles and equipment, processing and handling systems, rail cars, and furnace hopper systems set standards for the industry. With FMC technology, a process has been developed to convert coal to synthetic crude oil and pipeline quality gas.

Tell us your needs. FMC serves worldwide markets for mining and construction equipment, petroleum and fluid control equipment, material handling, industrial and agricultural chemicals. Write FMC Corporation, 200 East Randolph Drive, Chicago 60601. Or call 800-621-4500 (in Illinois: 312-861-5900).

FMC

nyone who thinks deregulation will bring rosperity to the railroads and truckers as it id to the airlines had better think again.

Transportation

By James Cook

IT WAS A seemingly revolutionary, but in reality, almost stupefyingly elementary notion: What if you ended ose controls on market entry and pric- the government had imposed on nsportation for generations, and let rriers go about their business as they eased? Cut prices or raise them, enter w markets or withdraw from old ones sound business judgment would dic- e? In short, what if you let competi- n do the job that regulation had at- mpted and never really succeeded very ll in doing?

Academicians had talked of such ngs for years, but in taking over as airman of the Civil Aeronautics Board months ago, Alfred Kahn, Cornell iversity's regulatory guru, put them o effect. A good half of the airline dustry was appalled. The result would chaos: cutthroat price competition, gging profits, disaster. But Kahn per- ted, and before he moved on to be- me Carter's chief inflation fighter, the lines were propelled—some of them cking and screaming—into a new age. Led by a maverick Texas outfit, Texas International Airlines, the industry was encouraged to offer sharply reduced fares to passengers who were prepared to fly at times when the industry's traditional customers didn't want to. One discount fare promptly followed another. Far from bankrupting the industry, competition proceeded to transform it. Air travel turned out to be an almost classically price-elastic market. And as the airlines began offering tickets at discounts of 50% and more, depending upon the circumstances, and filling planes that had long flown empty, they found themselves tapping a vast new market for low-priced, nonessential passenger service. Overall, demand boomed, soaring 18% in the first nine months of last year, profits expanded spectacularly and an industry that only a few years ago seemed nearly bankrupt found itself being deregulated into the biggest and best year in its history. The FORBES yardsticks make clear the impact: a breathtaking 24.8% return on equity in the latest 12 months, *vs.* a 10.5% five-year average.

From Kahn's point of view, the industry's newfound prosperity was really secondary. "One reason we wanted to move toward competition," he told FORBES, not long before taking his new job last November, "is that it will be beneficial to consumers. The other proviso is the implicit premise on our part that a competitive industry is capable of being financially healthy. It is entirely conceivable that deregulation will force people to become leaner, more efficient, more careful. They're not free to overacquire, enter markets that might not be logical for them to enter, secure in the knowledge the government will bail them out."

Congress was so impressed by Kahn's argument and the industry's performance that last fall it passed a bill enacting Kahn's notions into law—freeing the industry from control over its routes by 1982 and over fares, mergers and acquisitions by 1984. In the meantime the carriers were free to enter one new market a year, pull out of an old market on 90 days' notice, cut fares in noncompetitive markets by as much as 50% or raise them as much as 5% without CAB approval or 10% in markets where there were four or more carriers competing.

The airlines are understandably uneasy sometimes, because in slashing fares, they become vulnerable to a recessionary traffic slump. But in deregulating the industry Kahn never promised them a rose garden. Deregulation wasn't supposed to spare the industry the consequences of poor business judgment, any more than regulation itself had been able to protect it from the ruinous excess capacity poor management created twice in less than two decades.

Of course, the merits of airline deregulation haven't been proved by one summer's boom, but the first results were so spectacular that the Administration and Congress promptly began talking about doing the same thing for the rest of the carriers. President Carter hoped airline deregulation would be the precursor of deregulation in other overregulated industries, and deregulator Kahn argued there was even less reason to regulate trucking than airlines.

Maybe so, but success in airline deregulation doesn't guarantee success in the rest of the transportation business. For one thing, real reform is difficult in Washington. Airline deregulation was politically popular. The public loved the

lower fares, and the public votes. However, the general public does not much use trucks and railroads—except indirectly—and therefore, deregulation of these industries does not have the same political constituency.

And politics is only half the difference. By cutting prices, the airlines have induced more people to fly. But truckers and railroads move goods, mostly, not people. Cutting freight rates is not going to expand the size of the market. Cheaper shipping rates are unlikely to cause the appliance industry to produce more refrigerators, say, or the steel mills, more steel. Instead of expanding the market and lowering unit costs in transportation, lower prices are simply going to come out of the hides of the truckers and railroads. The ultimate result could be less competition, not more, as the weaker companies are forced under.

Congress had earlier attempted to deregulate the railroads' ratemaking in the so-called 4R Act of 1976, only to be thwarted by the Interstate Commerce Commission, which interpreted the act's market dominance provisions so narrowly as to leave a good 50% of the industry's traffic still under rigid control. The free market advocates are almost certain to try again, only this time with trucking. Senator Edward Kennedy expects to introduce legislation deregulating trucking later this year, and in November 1978 the ICC's Chairman Daniel O'Neal came up with a group of proposals that would in effect deregulate all but the common carrier truckers, ease entry even there and establish a range within which price changes would not be subject to ICC review.

The other members of the Commission greeted O'Neal's proposals with a notable lack of enthusiasm, but in November, ostensibly in the interest of saving fuel, the ICC took a major step toward deregulation by authorizing private carriers to solicit backhaul traffic from other shippers for the first time. By such means, the ICC could deregulate much of the trucking industry without any need for congressional action, just as the CAB had the airlines, but the American Trucking Association denied that the ICC had the option and took the matter to court.

Cheaper shipping rates are unlikely to cause the appliance industry to produce more refrigerators, or the steel mills, more steel. Instead of expanding the market and lowering costs, lower prices are going to come out of the hides of the truckers and railroads. The result could be less competition, not more.

Trucking will be a tough nut to crack. You would be hard put to find anybody in the regulated surface transport business who thinks that truck deregulation is a good idea—not the railroads certa ly, who face the prospect of their un gulated truck competition growi worse; not the common carrier trucke who long since have found the unre lated truckers the common enemy of regulated carriers; and not the Tea sters Union, which wants to keep t trucking rates high so as to have healthy cow to milk.

The airlines basically compete wi each other and only to a small deg with buses and Amtrak. But the truc barges and railroads compete not o with one another but also with ot trucks, rails and barges.

Regulation has kept the trucks and w ter carriers healthy and prosperous, bu has helped to bankrupt a good portion the railroad industry—not simply t seven companies absorbed by Conra but the Boston & Maine, the Rock Isla and the Milwaukee as well—and thre ens such once-prosperous carriers as t Illinois Central Gulf and conceival even the Seabord Coast Line. The 5.3 five-year return on capital the railroa average on the FORBES yardsticks, against the 13.1% of the motor carrie understates the disparity. As the IC calculates it, the railroads last y earned only 1.3% on their net inve ment, *vs.* 23.8% for the truckers, 21.07 for the water carriers.

That's why Kahn and Kennedy ch the trucks as their next target.

Deregulation is never going to bri any new competitors into the railro

Transportation—Air:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Emery Air Freight	36.9%	1	38.6%	0.0	38.4%	1	36.6%	5.4%	18.8%	2	17.8%	5
Braniff Intl	17.8	2	21.3	1.1	10.5	3	8.9	5.1	14.6	6	23.9	4
Delta Air Lines	17.6	3	20.2	0.2	11.5	2	9.2	6.3	17.3	4	14.0	7
Western Air Lines	16.3	4	32.8	0.5	14.0	4	7.7	5.4	13.6	8	33.7	2
UAL	11.6	5	31.1	0.7	14.2	6	6.0	7.6	11.4	11	50.6	1
Tiger International	10.9	6	16.8	2.0	6.7	9	5.4	6.9	18.9	1	4.1	9
Allegheny Airlines	10.7	7	28.5	1.8	12.6	7	5.9	4.3	16.4	5	D–P	
Northwest Airlines	10.3	8	9.7	0.1	6.8	5	7.0	8.8	14.3	7	11.1	8
Continental Airlines	10.2	9	29.5	1.4	12.5	8	5.8	7.3	12.4	9	26.7	3
American Airlines	7.6	10	15.6	0.5	8.8	10	4.8	4.5	10.5	12	D–P	
National Airlines	7.6	11	8.6	0.2	5.4	12	4.2	2.8	8.8	13	2.5	10
Eastern Air Lines	6.3	12	21.0	1.4	10.3	11	4.5	3.2	11.9	10	D–P	
Trans World Airlines	3.9	13	21.7	1.2	10.0	13	3.6	3.0	17.6	3	16.1	6
Pan Am World Airways	0.8	14	29.2	3.1	10.4	14	2.4	5.3	7.8	14	D–P	
Industry Medians	**10.5**		**21.5**	**0.9**	**10.5**		**5.9**	**5.4**	**14.0**		**17.0**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. D-P Deficit to profit; not ranked.

The name that's a leader in calculators and electronic cash registers

KIDDE

Victor Business Products is Kidde's outstanding performer in office products. The reasons? More than 6,000 branches and dealers offering sales and service to every U.S. county and 80 nations. State of the art products like the new 600 series calculator that sets new standards for reliability and performance. And premium features across the line, without premium price tags.

Victor electronic cash registers are also scoring big in the fast-moving world of retailing. With ECR products that range from stand-alone units to expandable systems with data communications capabilities.

These products, and hundreds of others from Kidde, have helped produce record sales, net income and earnings per share year after year. And now sales are approaching $2 billion. To learn more about Kidde, write for our Annual Report. Walter Kidde & Company, Inc., 9 Brighton Road, Clifton, New Jersey 07015. And to find out more about the Victor Business Products, call Victor's toll-free number (800) 447-4700; in Illinois (800) 322-4400.

Some Kidde leadership products:

Industrial, commercial
Grove *hydraulic cranes*
Victor *business machines and temporary services*
N.J. Office Supply, Scott Rice *office products*
Ross-Martin *forms management services*
American Desk *auditorium and stadium seating*
Dura *automotive components*
Garden State *auto seat leathers*
Weber *aircraft equipment*

Safety, security, protection
Kidde, Fenwal, TOTAL *fire protection equipment*
Sargent, Presto, Arrow *locks*
Globe *guards and investigative services*
LeFebure *banking equipment*

Consumer, recreation
Farberware *cookware and appliances*
Progress *lighting fixtures*
Keystone, Mobilite *lamps*
Rexair Rainbow *vacuum cleaners*
Spartus *clocks*
Lucien Piccard, Arnex *watches*
Ertl *die-cast toys, model kits*
Vanity Fair *electronic toys*
Bear *archery equipment*
Daisy *air rifles*
PGA *golf equipment*
Nissen *gymnasium equipment*
Valley *coin-operated pool tables*
K&S *lawn equipment*

business—it costs too much. Who would invest new capital in an industry where its largest and most successful companies average less than 6% on their capital? But trucking is a different matter. In an industry where a driver can buy a $60,000 rig for maybe $9,000 down and go into business for himself, open entry could conceivably transform the industry. Thus deregulation will bring a rash of new competition into the trucking business: competitors who will price-cut their way into the market and set off a wave of mergers that will transform trucking into a far more concentrated business than it is now. The short haul and regional truckers may well be squeezed out, and the big national companies—outfits like Yellow Freight, Roadway Express, Consolidated Freightways and McLean Trucking—will come to dominate the industry. And it is likely that the same will happen with the entrenched companies in freight forwarding (Transway International) or contract leasing (Leaseway International).

Deregulating the truckers while leaving the railroads regulated could, in addition to disrupting trucking, come close to being fatal to the railroads, with newly deregulated truckers price-cutting into the railroads' remaining markets.

"I think," says ICC Chairman Daniel O'Neal, "the government will have to be concerned about the disruptive effect of changes in the system. Actions we take as far as motor carriers are concerned should be read in conjunction with how they affect the railroads. Some commodities carried by the railroads are vulnerable to motor carrier competition—agricultural commodities, anything that moves in full trucks. There's one reason for regulating the motor carriers: because of their threat to the railroad industry."

Sad to say, O'Neal has a point.

Deregulation isn't likely to produce anything like the boom conditions that airline regulation has. Freight transportation, unlike passenger traffic, is basically price inelastic. The volume of freight traffic is determined by the level of the economy. So what you may do by deregulating ratemaking is to divert traffic from one carrier or mode of transport to another.

All you really may accomplish is to reduce the general rate level of the carriers involved, a reduction that the railroads at least no longer have the financial resources to withstand.

And the truth is that, in terms of their costs, transportation rates are in general probably too low. Veteran rail analyst, Isabel Benham, head of Princeton, Kane Research, calculates that since the end of the 19th century the U.S. government has spent nearly $130 billion developing U.S. highways and waterways, as against $2 billion on railroads, and this indirect subsidy has enabled barges and truckers to price their services for less than they would have otherwise and to force the railroads, in competing with them, to underprice their services as well. The result has been a progressive dissipation of railroad capital and a corresponding inability to provide the service that in many transportation markets is far more important than costs. "The motor carriers," says ICC Chairman O'Neal, "are doing well because they provide pretty darned good service."

"Actions we take as far as motor carriers are concerned," says ICC Chairman O'Neal, "should be read in conjunction with how they affect railroads. Some railroad commodities are vulnerable to motor carrier competition. There's one reason for regulating motor carriers: because of their threat to the railroad industry."

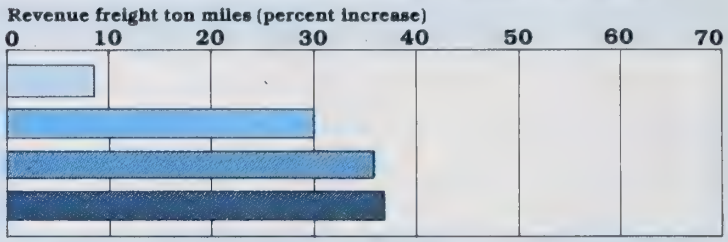
And they do. So good, in fact, that even with a rate level nearly five times that of the railroads they have easily walked off with the market. Transportation is a volume business, and the volume—the most profitable volume at that—has increasingly gone to the truckers and water carriers, leaving the railroads particularly vulnerable to the cost inflation of the Seventies. Railroad freight traffic has admittedly expanded 8% since 1970, but that compares wit 36% gain for the truckers, 37% for barges. And the railroads, squeezed the profits they need to keep going, h responded by increasing their rates more rapidly than the truckers hav increasing them, over the past ei years, 60% on average, *vs.* 40% for truckers—a move that has probably c them even more of the growth t might otherwise have been entitled t

What the railroads obviously need still higher rates—to restore their ba earning power—and greater flexibility adjusting them up or down to suit competitive environment. But ratem ing freedom is probably no lon enough. What the railroads need e more is the imposition of user charges their competitors to even out the ineq ties created by government subsidi highways and waterways, and this wo almost certainly mean that the rate le in both railroads and trucking would ri

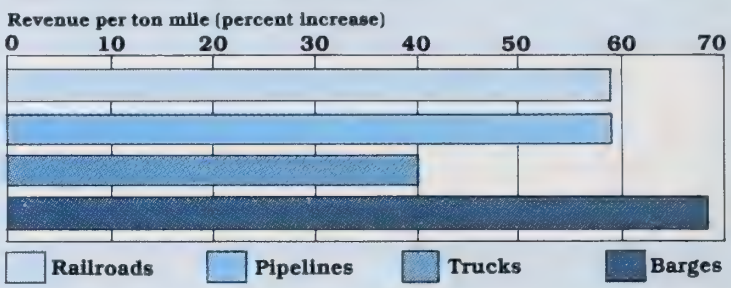
But even without user charges, M gan Stanley's transportation expert dras Peterey argues, long-term deregu tion of trucks and rails is unlikely produce the lower prices across the bo the politicians dream about. It wo only lessen competition in trucking, courage prices to rise and could furt weaken the railroad industry. "The c ous effect," he says, "would probal mean many increases rather than creases in freight rates. Once the weal firms are squeezed out, prices will go again." Deregulation in the air cargo

Growth rates & rate growth

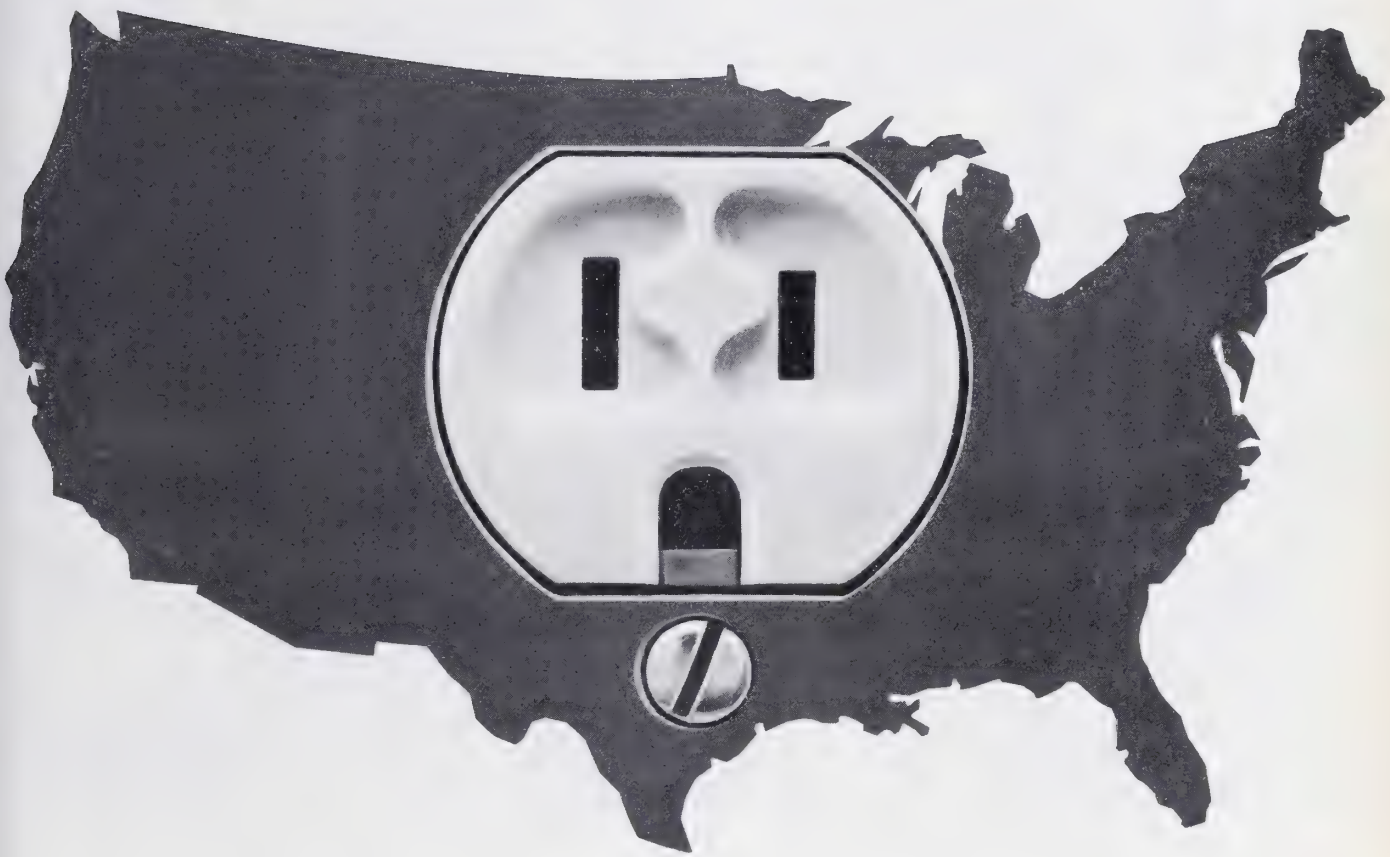
Transportation may be a growth industry, but not everyone in it is growing at the same pace. Between 1970 and 1977, revenue ton miles increased only modestly for the once dominant railroads, but boomed for the competing oil pipelines, truckers and barges.



Over the same period the railroads magnified their competitive disadvantage by increasing their rates far faster than the truckers and increasing them nearly as fast as the lower cost barges and oil pipelines. The disadvantage is growing.



Electricity will do the work that keeps America working.



When there is a shortage of energy, a nation suffers many problems: a slowed economy, impaired transportation, lost jobs, and a lowered standard of living.

No one wants to do without energy, but there are problems in providing it. About 50 percent of our oil is imported. We want to become less dependent on foreign countries so that our nation's economic stability—perhaps even your job—will not rest on the whim of a foreign government. We must make the best possible use of our available domestic energy sources, coal and nuclear fuel—particularly the breeder reactor, which actually produces more fuel than it consumes.

An important part of solving the energy problem will be electric energy generated from these domestic energy sources. Coal and nuclear fuel meet their energy potential only when converted to electricity. At Middle South Utilities, we're working to provide enough electric energy to keep our economy strong and our people working. We have our region's first nuclear-fueled generating unit in operation, a second approaching commercial operation, and three more under construction. By 1990, we plan to have 10 coal-fired units in operation.

Middle South Utilities is making energy that makes sense.

MIDDLE SOUTH UTILITIES

Arkansas Power & Light Company
Arkansas-Missouri Power Company
Louisiana Power & Light Company
Mississippi Power & Light Company
New Orleans Public Service Inc

dustry may have got the air cargo business booming at last, but the result so far has been higher, not lower, fares. Kahn explains the anomaly by suggesting that fares were probably too low—just as they probably are throughout the surface transportation industry. So in the end deregulation may prove to be not the deflationary device some of its proponents suggest but an inflationary one—or if not that, one which encourages transportation to reflect its true costs for the first time in generations.

Deregulation is popular in Washington these days, and *that* is good news for those who believe in free enterprise. But Congress would be wise to go slow on deregulating trucks and railroads because lower prices are not what the railroads need to survive. As things now stand, because freight rates may already be too low, the taxpayer subsidizes trucks and barges, and railroad stockholders and bondholders subsidize most railroads. If the aim of deregulation is to bring freight rates down, the result may be to increase the need for subsidies and to reduce rather than enhance competition. That's a sad thing to say but probably true.

If the politicians and bureaucrats still dream of the benefits of trucking deregulation, hardly anyone seriously suggests that this offers any solution for ocean shipping. Companies like Alexander & Baldwin (Matson Lines), Transway (Waterman Steamships), Seatrain Lines or Moore-McCormack have suffered too long at the hands of cut-rate foreign, and largely Russian, competition. What these carriers want is regulation in order to stay alive: rigid rate regulation in e change for a secured market positi "You can't have a staunch allegiance antitrust," says Transway's vice pre dent-law, Lawrence Berman, "when t rules of the game are not controlled the U.S. So pooling arrangements are t name of the game."

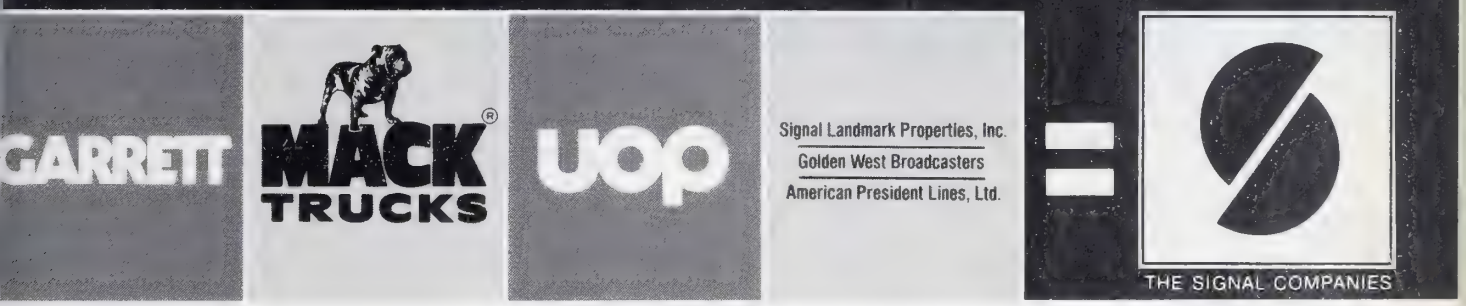
In short, there is no easy answer to t question of deregulation. Can one opt inconsistency? Favor deregulation the railroads, favor only restricted der ulation for the truckers? One probab can. What transportation needs is pra matic, not ideological, solutions. The b sic problem, of course, is how do y unscramble eggs. And the answer is, course, you can't do it. All you can ho to do is stir them around so they don get too lumpy. ■

Transportation—Surface:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital						
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	Sales 5-year average	Sales 5-year rank	Earnings Per Share 5-year average	Earnings Per Share 5-year rank
RAILROADS												
Missouri Pacific Corp	29.3%	1	25.2%	1.4	11.1%	1	9.5%	7.7%	13.5%‡‡	3	21.8%‡‡	3
Chic & North Western	21.2	2	21.5	4.4	5.7	8	5.2	1.9	7.9‡‡	8	13.6‡‡	7
Southern Railway	11.2	3	12.0	0.6	6.9	3	6.4	9.6	9.2	7	13.1	8
Norfolk & Western Ry	10.4	4	8.4	0.4	5.1	5	5.8	9.0	3.0	13	20.5	4
Union Pacific	9.9	5	11.7	0.3	7.8	2	7.1	8.8	17.0	1	16.5	5
Santa Fe Industries	8.4	6	8.7	0.4	6.1	4	6.0	7.6	11.8	5	14.7	6
IC Industries	8.0	7	8.8	0.6	5.8	6	5.4	3.7	14.6	2	8.7	9
Chessie System	7.7	8	4.6	0.7	3.5	9	5.0	3.6	6.6	11	22.7	2
Seaboard Coast Line	7.3	9	5.7	0.9	4.5	7	5.3	3.8	13.3	4	6.3	11
St Louis-San Fran Ry	6.0	10	8.2	0.8	4.9	11	4.0	5.0	7.9	9	6.5	10
Southern Pacific	5.6	11	4.8	0.4	3.6	10	4.0	4.1	7.3	10	1.4	12
Burlington Northern	4.8	12	6.8	0.5	4.7	12	3.8	4.8	11.3	6	34.2	1
Chicago Rock Island	def	13	def	0.9	def	13	def	def	3.7	12	D–D	13
Medians	**8.0**		**8.4**	**0.6**	**5.1**		**5.3**	**4.8**	**9.2**		**13.6**	
TRUCKERS												
Yellow Freight System	26.1%	1	22.0%	0.2	16.4%	2	17.4%	5.2%	19.0%	2	20.6%	1
Roadway Express	24.5	2	21.6	0.0	20.5	1	23.1	5.7	16.4	4	20.0	2
Leaseway Transportn	24.0	3	24.3	1.4	10.6	5	9.7	4.7	13.1	5	18.4	4
Consol Freightways	21.6	4	23.6	0.2	19.1	3	16.2	4.5	12.3	6	19.1	3
McLean Trucking	19.2	5	14.2	0.5	10.7	4	13.1	2.8	17.6	3	14.1	5
Ryder System	12.9	6	25.1	1.6	9.8	7	6.6	4.9	20.1	1	6.9	6
Allied Van Lines	9.9	7	7.1	0.7	4.6	6	7.5	0.3	9.9	7	3.1	7
Medians	**21.6**		**22.0**	**0.5**	**10.7**		**13.1**	**4.7**	**16.4**		**18.4**	
OTHER TRANS												
Moore McCormack Res	20.2%	1	12.3%	0.8	7.4%	3	11.7%	7.9%	28.8%	2	221.5%	1
Transway Intl	19.1	2	20.0	0.3	15.8	1	15.6	3.6	8.9	6	13.4	4
Gelco	18.9	3	25.1	4.4	6.4	5	5.9	5.8	62.9	1	32.5	2
Alexander & Baldwin	16.7	4	9.2	0.4	6.9	2	13.6	5.9	11.3	4	28.0	3
Greyhound	11.2	5	8.6	0.5	7.0	4	8.3	1.4	8.9	5	0.7	5
Seatrain Lines	7.5	6	21.3	8.4	4.3	6	2.5	1.6	19.4	3	D–P	
Medians	**17.8**		**16.2**	**0.7**	**7.0**		**10.0**	**4.7**	**15.4**		**28.0**	
Industry Medians	**11.2**		**11.9**	**0.6**	**6.7**		**6.5**	**4.8**	**12.1**		**14.7**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡‡Three-year growth. D-D Deficit to deficit. D-P Deficit to profit; not ranked. def Deficit.

When Garrett, Mack, UOP, and the whole team score, Signal wins.



GARRETT—The Garrett Corporation is a high-technology company with major markets in the aviation, automotive, and general transportation industries. At the end of the third quarter, Garrett's record backlog totaled $1.1 billion and nine months earnings were $34.3 million—up 27% over 1977.

MACK—Mack Trucks, Inc. holds a substantial share of the North American market for heavy-duty diesel trucks, and a commanding share of the export market. The result has been a record nine months with earnings of $55.6 million—up 103% over 1977.

UOP—UOP Inc. is a world leader in providing technology for the petroleum refining, petrochemical and chemical industries, as well as for environmental control systems and engineered products. UOP's contribution to Signal's nine months earnings was $13.3 million—up 48% over 1977.

OTHER INVESTMENTS—This group of companies involved in real estate, broadcasting, and shipping has one common feature—profitability. The group contributed earnings of $17.7 million for the first nine months of 1978—up 42% over 1977.

It all adds up to a record nine months. Sales are up 21% to $2.7 billion, earnings up 62% to $117.4 million. This continued strong performance reflects Signal's management strategy of developing a command of advanced technology in all units. Its success is creating the capital for future Signal successes.

For a copy of our annual report, write the Signal Companies, Inc., 9665 Wilshire Boulevard, Beverly Hills, California 90212. Ticker Symbol SGN

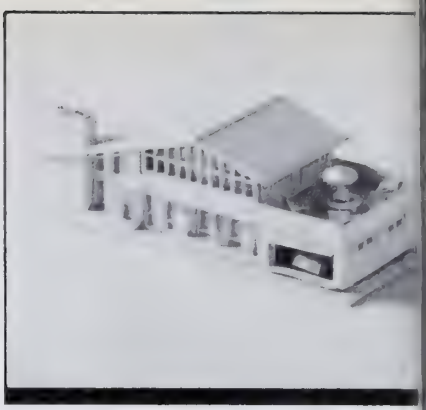
© The Signal Companies, 1978

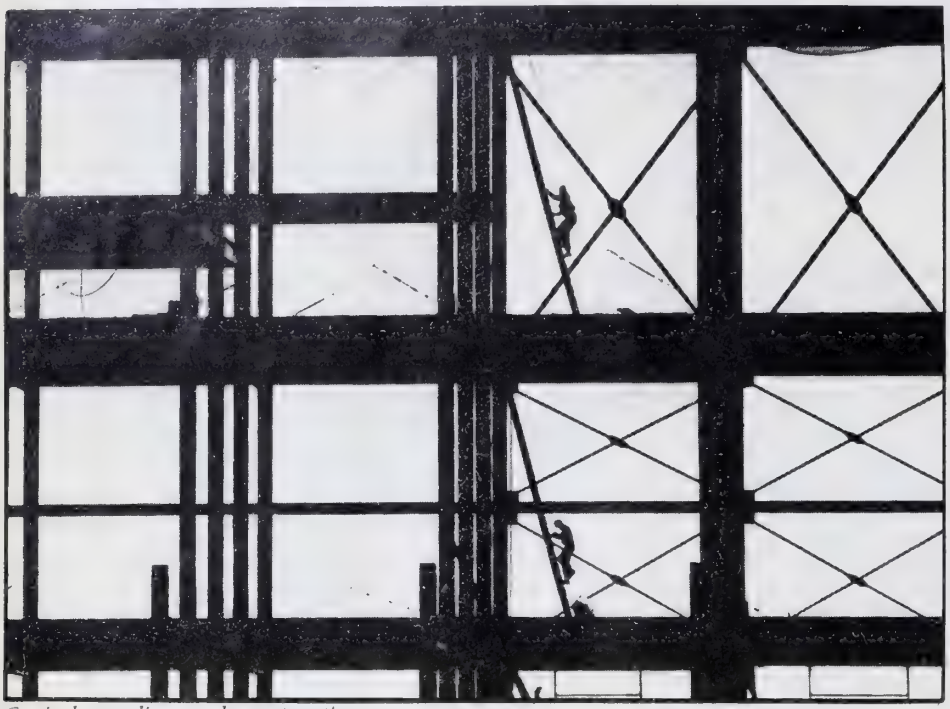
The Signal Companies

One Signal success leads to another.

After two glorious years the housing market is turning soft. Will 1979 be a rerun of 1973? Everyone hopes not.

Construction





Capital spending and construction
The much-heralded boom faces another delay.

A SLOWDOWN but no slump is in the cards for house building in 1979. Profits will slip a bit from 1978's fantastic levels, but not by much. The way most construction executives see it, the late 1978 switch by the Carter Administration to a policy of monetary restraint is a deterrent, but not a disaster.

You've heard that before? The old "soft-landing" scenario. Wall Street is *very* skeptical. After the October stock market crash, stocks of building material manufacturers were dragging bottom. Old stalwarts like U.S. Gypsum, PPG Industries and Johns-Manville were selling for a mere five times projected 1979 earnings. The market was saying that these earnings couldn't last.

In recent decades construction in all its forms has been the economy's swing industry. When the Federal Reserve tightened money, the immediate impact was on building. The reason is obvious: You can't build a house or a hotel or office building out of current income; you need to borrow. And if money is hard to get, the first thing hit is building.

As usual, Chairman Jim Walter of Tampa, Fla.'s Jim Walter Corp. ($1.7 billion in sales) cuts right to the heart of the matter. "I sure don't like to see money this expensive," drawls Walter, "but I'd sure rather see money expensive than nonexistent."

Nothing dries up construction like a lack of funds. The problem isn't just interest rates. Last year double-digit mortgages became commonplace and mortgage rates on the West Coast pushed 11% at year-end. On a $50,000 mortgage the difference between 8½% and 11% is a staggering $26,000 over the life of a 25-year mortgage. Yet demand for mortgages continued virtually unabated. "There just doesn't seem to be any reluctance this time among house buyers to pay what are historically high rates," says Champion International Executive Vice President John A. Ball. If Americans are scrimping they seem to be doing so somewhere other than in housing, making this once cyclical industry a good deal less so.

So the real question in 1979 is: Just how tight will money become? In 1977 and for most of 1978 consumer debt grew at a staggering 17% annual rate, alm double the pace of the mid-1970s.

Obviously the supply of money i going to permit an increase like tha 1979. But that's not to say money dry up completely. Clearly, the Fed the other authorities are trying to that construction doesn't bear the en brunt this time. But a question rema Can the economy be that fine-tur Even if home buyers are willing to sp 11% and more for mortgage money, the savings and loans be willing to 10%-plus for six-month savings ce icates to get the lendable funds?

This industry's best bet for 1979 is million housing starts. This will be ab 20% below 1978's level, a quite bear decline considering that sales in the quarter were so much stronger than been expected. So there's an elemen hope in this comfortable number. A two torrid years when starts ran arou million units this industry would alm welcome a pause that refreshes be the startup of another boom, whicl expects to begin early in the 1980s. ' will be better off with fewer hou starts," says Chairman Frank M. C sen of Dallas' Centex Corp., who lieves most firms need a respite un their profit margins are to be furt eroded. "This country has neither labor nor the supplies to keep goin the present rate without fueling exc inflation," explains house builder C sen. In parts of California and the So west, the price of cement in a year climbed 19%, lumber is up 15% union plumbers in San Francisco get an hour on construction sites.

While those increases helped make price of housing prohibitive for m first-time buyers, they virtually ins this industry's profit margins will main respectable should President Ca do another about-face and impose m datory price and wage controls. Un the Nixon-era controls, construct firms fared badly. Then they were lowed to raise prices only in line with average level of increases set in the p two years when prices had been h down by lack of demand. This time w demand strong most firms have pas along most of their higher costs. So

eraging will be to their advantage. By nature, construction men are optiists. They build more in anticipation an against firm bookings. This ouldn't be the first time they've misdged the underlying strength of their arket. Back in 1973 they also welmed what they thought was going to a lull, only to see housing starts plunge the next two years by 43%. Is there y chance 1979 will turn into a repeat of 73? Could there be a bust ahead with l but the strongest companies giving up eir recent huge gains in earnings? *(See rdsticks.)*

"This is a cyclical, volatile business, d I do get nervous after two good ars," says Champion's Ball, who adits changing circumstances are forcing m to temper his natural optimism mewhat. But that said, Ball typically sists too many things have changed in is industry to make a prolonged slump housing and construction likely.

For a start, look at demand. "Pretty ell everybody is convinced housing nstitutes the only hedge against the evitable surge of inflation," says Ball. s not much of an exaggeration to say ousing has replaced glamour stocks as e smart place to invest. As respected ilding analyst Douglas A. Kass of New rk's Glickenhaus & Co. puts it, "In a ciety with a progressive tax structure e ours, home mortgages remain the ost appealing and most obtainable tax elter for the masses."

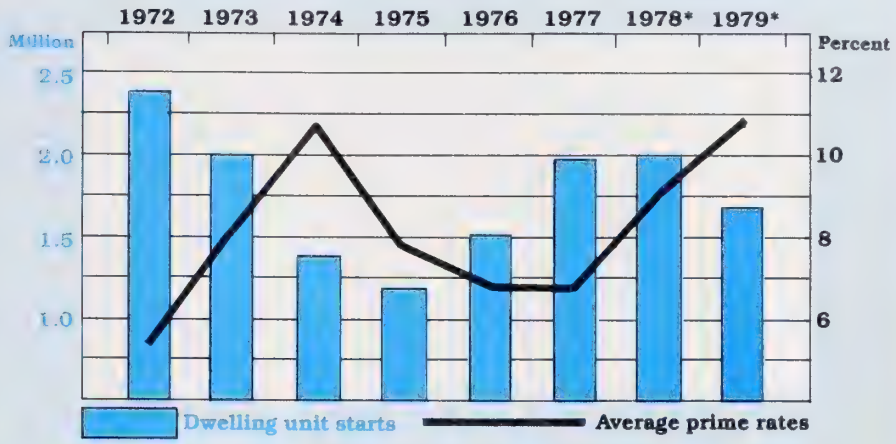
Figure it this way. As more wives enter the work force either out of economic necessity or self-fulfillment, more families are hoisted into higher tax brackets. But if they go deeper into debt by buying larger houses financed with huge mortgages they can use the interest charges to lower their tax payments. After all, that's what the rich have been doing for years.

Apart from diamonds (which doubled in value in 18 months), what other investments have fared half as well lately as housing? The median price of a typical new house in the Washington, D.C. area in 1978 jumped from $68,000 to $80,000. Nobody apparently seems to mind that housing around the nation's capital is now so expensive that almost every second house sold is bought by a two-income family.

Then, too, demographics are helping house sales. The post-World War II babies are forming families of their own and needing more accommodation. The key 25-to-34 age group, the big buyers of

Closing the money door for housing

Home buyers are less frightened by high interest rates than in the past, but the harsh fact of economic life remains: A rising prime rate signals less funds ahead for construction loans and mortgage lending. A downturn in housing starts now seems inevitable.



* Estimates

Construction—Building Materials:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
LUMBER												
Willamette Inds	19.7%	1	18.8%	0.4	13.2%	1	13.6%	7.5%	19.9%	2	16.8%	1
Georgia-Pacific	19.0	2	19.0	0.4	11.8	4	10.7	7.0	16.1	3	16.4	2
Louisiana-Pacific	17.3	3	20.2	0.5	13.4	3	11.3	7.6	20.8	1	10.4	4
Weyerhaeuser	16.2	4	15.8	0.6	11.1	2	11.6	9.5	13.7	5	10.1	5
Champion Intl	13.8	5	15.4	0.5	9.4	6	7.9	5.1	11.1	6	11.1	3
Boise Cascade	11.9	6	13.5	0.5	10.4	5	8.5	5.1	4.7	8	D–P	
Southwest Forest Inds	8.6	7	14.4	1.1	7.6	8	5.7	3.2	15.8	4	0.6	7
Edward Hines Lumber	7.5	8	12.0	0.1	11.2	7	7.1	2.7	10.7	7	1.7	6
Medians	**15.0**		**15.6**	**0.5**	**11.2**		**9.6**	**6.1**	**14.8**		**10.4**	
CEMENT & GYPSUM												
Ideal Basic Inds	15.2%	1	18.4%	0.2	13.7%	1	11.7%	12.2%	11.1%	4	17.6%	1
Gifford-Hill	11.7	2	16.8	0.5	12.1	2	8.6	6.2	16.7	1	8.2	2
U S Gypsum	10.7	3	19.8	0.3	14.8	3	8.5	7.6	12.4	3	6.9	4
Lone Star Industries	10.5	4	13.8	0.5	8.8	5	7.4	3.9	13.8	2	4.6	5
National Gypsum	10.1	5	15.3	0.3	11.5	4	8.1	6.4	8.1	5	7.3	3
Penn-Dixie Inds	def	6	def	0.9	def	6	def	def	5.1	6	P–D	6
Medians	**10.6**		**16.1**	**0.4**	**11.8**		**8.3**	**6.3**	**11.8**		**7.1**	

The New Insuranc

For the first time in this country, primary insurance covering large or unusual commercial risks can be written free of policy form and pricing regulations—a development made possible by New York State's "free-trade zone" for insurance.

A brief review by INA of an insurance topic of interest to business executives.

On July 20, 1978, Governor Hugh Carey signed into law a New York State bill that should have the long-range effect of helping to put this country's business-insurance marketplace on an equal competitive footing with many foreign locations traditionally regarded as world centers of the industry.

While the focus of attention will understandably be on New York at this stage, this imaginative legislation could produce a ripple effect across the country. Observers believe it will serve as a model for other states to follow in liberalizing the regulations and operating conditions that often tend to restrict competition in the insurance industry.

Now effective

Under the legislation, effective September 1, specially licensed insurers in the state are now able to write primary policies on large corporate risks – contracts with an annual premium of $100,000 or more – without the need for prior state approval of rates and policy provisions. (However, the state will require such insurers to maintain at least twice the capital surplus normally required and will oversee their operations.)

An unhampered market

In effect, the state of New York thus becomes a "free-trade zone" for insurance, the first of its kind in the United States. In it, large-scale buyers and sellers of insurance can do business swiftly and conveniently, unhampered by legalistic restrictions. As such, the free-trade zone will provide a more productive environment for insurance transactions – one that is responsive to the sophisticated

'ree-Trade Zone

risk management needs of business today.

Moreover, the advantages of the New York free-trade zone also apply to policies covering unusual or unprecedented risks, including those with premiums well under $100,000. Among them are such diverse exposures as insurrections, catfish farms, animal rides, ear piercing and new drugs. And for contracts involving risks outside the U.S., there are possible tax concessions offered by the state.

An American Lloyd's?

All of this inevitably suggests that with its free-trade zone New York is creating an American version of Lloyd's of London. The world's largest single insurance market, Lloyd's is known for its exceptionally broad range of insurance coverage, including both very large and highly unusual risks. Its operations are free of government control and it can provide quick and imaginative responses to insurance needs. These are the same kinds of advantages that the New York free-trade zone is also expected to deliver, although initially on a smaller scale.

The parallel with Lloyd's will also be heightened with the opening in 1979 of the New York Insurance Exchange, which will allow individual investors and others to participate in the underwriting of both primary and reinsurance risks.

Clearly, the New York free-trade zone should attract much insurance business that up to now has been written abroad. Competition will be spurred to the benefit of insurance buyers. And together with the new Insurance Exchange, the free-trade zone should bring capital to the United States, creating jobs and stimulating American insurance markets.

Strong support from INA

INA has strongly favored the creation of both the New York free-trade zone and the New York Insurance Exchange and is pledged to their support through active participation. INA Special Risk Facilities can provide professional counsel on the use of both facilities to risk managers, agents and brokers who may consider using them. And the Insurance Company of North America which will operate in the free-trade zone, maintains offices in New York City.

* * *

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance and financial service companies. In property and casualty insurance and risk management services, life and group insurance, health care management, and investment banking, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

INA insurance products and services are available through selected independent agents and brokers. For further information on the New York free-trade zone for insurance, write to INA Corporation, 1600 Arch Street, Philadelphia, Pa. 19101.

Grand jeté to the U.S.A.?

To an insurance underwriter, a ballet dancer's legs are merely another form of commercial risk for which coverage must be provided. Usually such "exotic" risks are placed overseas.

But with the opening of the New York free-trade zone, dancer's legs, in policy form, may be about to execute a broad leap across the Atlantic — back to the United States.

INA
The Professionals

houses and durables, is increasing at triple the rate of the total population. In the 1960s some 23 million Americans turned 30. In the 1970s, 31 million will reach this age. But in the 1980s no fewer than 40 million will pass that mark, becoming prime candidates for housing.

Another plus is the burgeoning remodeling market. Only five years ago spending for property remodeling was running around $20 billion a year. Last year, $35 billion. Remodelers add some 4 million rooms annually, which is equivalent to building an extra 700,000 new six-room houses. "This is business that increases no matter what's happening to the housing cycle," says Masonite Corp. President Robert N. Rasmus. Masonite now gets 34% of its business from remodeling, and expects this market by the early 1980s will contribute more to sales than new housing.

Okay, all this sounds great, but what about the key question: Are the funds going to be available?

When the Federal Reserve tightened money, the immediate impact was on building. Clearly, you can't build a house or office building out of current income; you must borrow.

What kept this industry humming throughout 1978 was the introduction by the savings and loan associations last June of money market certificates with interest rates tied to U.S. Treasury bills. Instead of an outflow of funds in 1978's third quarter, the S&Ls found their coffers swollen by $12 billion. They had plenty of money for mortgages.

In large measure, the success of these certificates delayed the federal government in putting a damper on the overheated economy. Once the Treasury hiked its rates in earnest, however, the S&Ls increasingly found themselves in the unenviable position of paying n as much in interest as they were all to charge for their mortgages under usury laws. Anyone can figure out t interest rates move even higher, o that matter, stay high throughout increasingly the S&Ls will have money for mortgages. Again, how the optimists claim that changes—nical ones, this time—will lessen chance of a major collapse in housir

For instance, the secondary mort market today is far better organized than four years ago. The introductio 1975 of variable rate mortgages, the chasing of conventional mortgage the Federal Home Loan Mortgage (Freddie Mac), plus the government' fluence in standardizing mortgage d ments have all helped make mortg attractive again to the big financial i tutions. Life insurance companie 1977, with Prudential and Metropo Life in the lead, began investing in gle-family mortgages after many y

Construction—Building Materials:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
OTHER BLDNG MATRLS												
Bird & Son	22.3%	1	17.4%	0.0	16.1%	1	20.2%	5.8%	16.7%	1	26.4%	1
Owens-Corning Fbrgls	17.5	2	23.1	0.3	17.7	3	13.1	7.3	16.2	2	20.1	2
Jim Walter	17.4	3	16.6	0.9	9.7	4	11.5	5.3	12.0	7	16.4	3
Ferro	15.2	4	15.9	0.1	14.1	2	13.4	5.4	15.5	4	10.9	6
Certain-teed	12.9	5	18.9	0.4	13.2	7	9.6	6.4	15.8	3	9.6	7
H H Robertson	11.8	6	11.1	0.2	8.5	6	9.9	2.6	7.1	13	9.1	8
Interpace	11.7	7	12.3	0.6	7.6	11	8.3	3.8	9.3	11	14.4	4
Masonite	11.7	7	17.6	0.0	15.6	5	10.4	8.4	13.3	5	2.7	13
PPG Industries	11.5	9	9.8	0.4	7.7	10	8.7	3.9	11.7	8	11.2	5
Johns-Manville	11.2	10	15.2	0.2	11.3	9	8.7	7.1	13.2	6	6.6	9
Congoleum	10.1	11	24.8	0.1	21.7	8	9.0	6.8	8.3	12	0.8	14
DeSoto	9.7	12	13.2	0.4	10.4	12	8.0	3.5	4.5	16	3.4	12
Armstrong Cork	9.3	13	10.4	0.3	8.3	13	7.7	4.3	10.3	9	3.6	11
Evans Products	8.3	14	21.0	0.7	12.6	14	6.0	4.5	4.0	17	–2.9	15
Flintkote	7.8	15	14.0	0.4	9.7	15	5.9	4.8	6.1	14	4.7	10
Ceco	5.4	16	2.3	0.3	2.7	16	4.7	0.7	6.0	15	–10.6	17
Sherwin-Williams	4.6	17	def	0.7	0.7	17	4.7	def	10.1	10	–7.4	16
Medians	**11.5**		**15.2**	**0.3**	**10.4**		**8.7**	**4.8**	**10.3**		**6.6**	
BUILDING EQUIPMENT												
Masco	23.6%	1	21.7%	0.5	15.8%	3	16.4%	10.5%	28.6%	1	24.3%	1
Dover Corp	23.6	2	23.0	0.2	19.6	1	19.1	8.5	14.8	2	18.9	3
Norris Industries	19.6	3	19.7	0.1	18.1	2	16.9	6.5	9.7	6	12.3	4
Butler Manufacturing	19.2	4	18.9	0.3	15.5	4	16.2	5.7	14.2	3	22.9	2
American Standard	17.5	5	24.8	0.5	16.5	5	11.9	4.9	3.7	7	D–P	
Carrier	10.7	6	20.4	0.4	15.9	7	8.3	4.6	13.0	4	5.4	5
Trane	10.3	7	13.3	0.3	11.0	6	8.6	5.2	11.5	5	3.4	6
Medians	**19.2**		**20.4**	**0.3**	**15.9**		**16.2**	**5.7**	**13.0**		**15.6**	
Industry Medians	**11.7**		**16.3**	**0.4**	**11.7**		**8.7**	**5.4**	**11.9**		**8.7**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. P-D Profit to deficit. D-P Deficit to profit; not ranked. def Deficit.

Free. The kit that will move you, in no uncertain terms, to a decision on a company airplane.

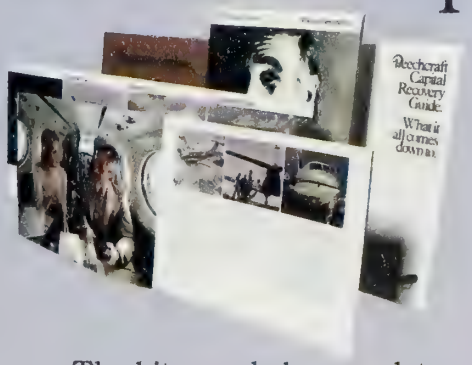
Hundreds of successful companies of all sizes could tell you about the advantages of owning a company airplane.

But how can you be sure a business airplane would be a good investment for your company?

Send for the free Beechcraft Business Flying Kit.

It's specifically designed to help you, step-by-step, take a realistic look at whether a company airplane can help solve your business travel problems.

And it promises you up-front answers to real questions you have about owning a company airplane. How do you determine the need for one? How do you select the right size aircraft? What financing plans are available?



The kit even helps you determine the actual net capital cost to your company of a business airplane like the Beechcraft Super King Air shown here.

And this year, the kit has been updated and expanded with new information that makes objectively evaluating a company airplane even easier.

We'll be the first to concede that a company airplane isn't right for everyone. But once you've read the free Beechcraft Business Flying Kit, you'll know if it's right for you.

Send for it today.

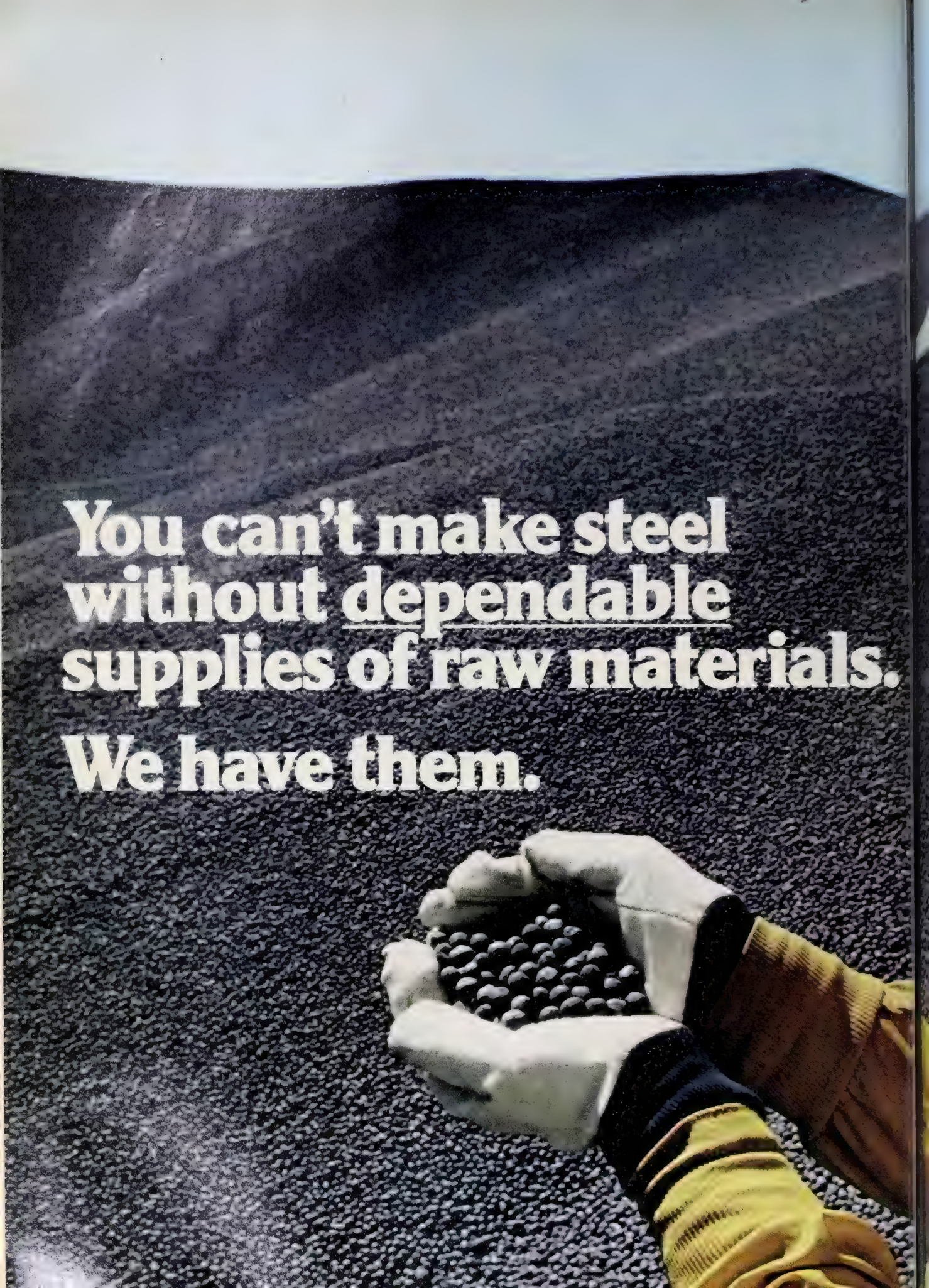
Write on your company letterhead to: Beech Aircraft Corporation, Dept. K, Wichita, Kansas 67201. Ask for our free Business Flying Kit, and please mention if you're a pilot. If you'd rather call, make it collect and ask for Dick Schowalter, Jr. 316-681-7072.

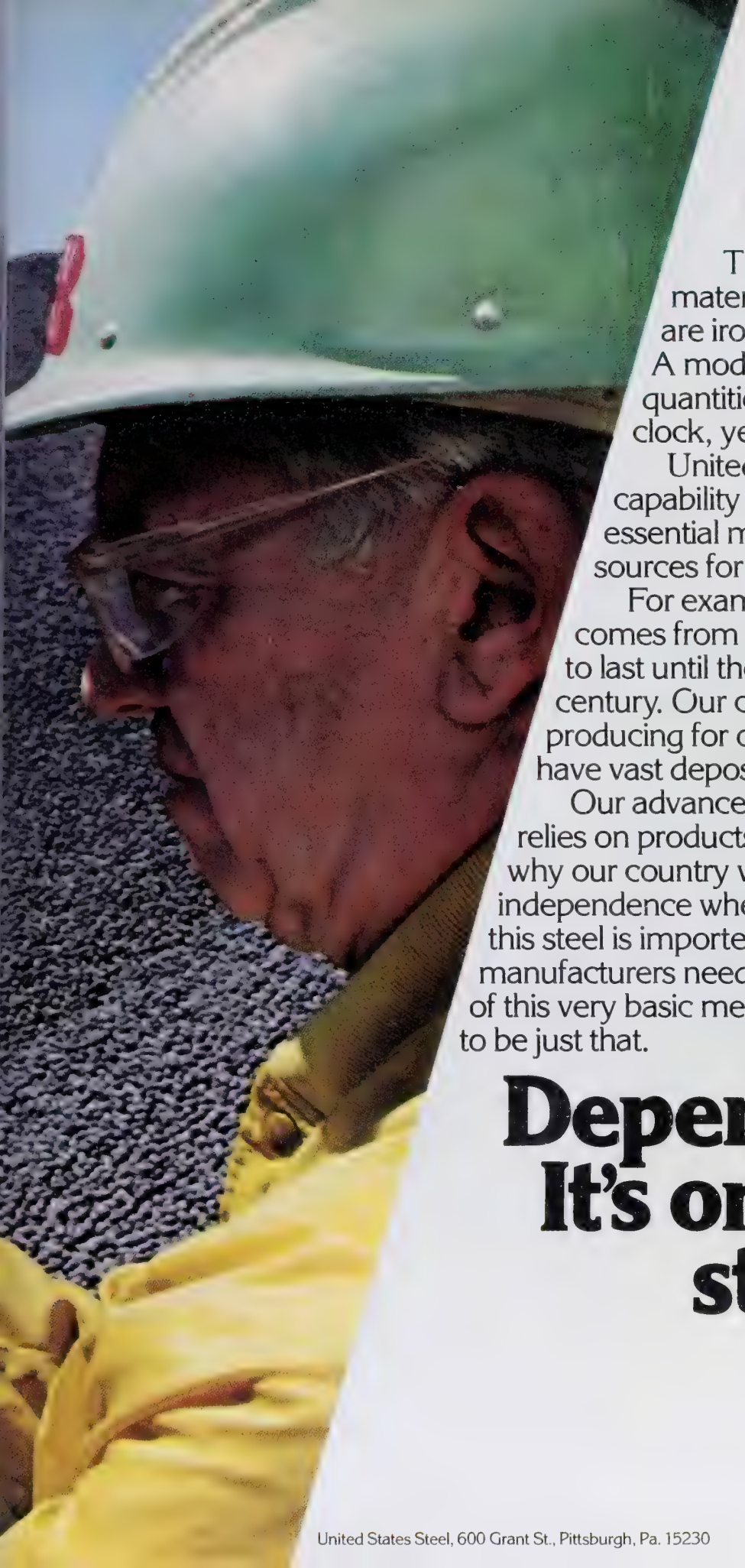
Member of General Aviation Manufacturers Association

Beechcraft AVIATION CENTER

The jetprop Beechcraft Super King Air. The world's best selling turbine powered airplane. It can carry 8 to 15 people in boardroom comfort at nearly half the speed of sound.

Know any friends who want to learn to fly? Tell them about the General Aviation Manufacturers Association Take Off Sweepstakes. They could win a $50,000 airplane just for earning their private pilot license. Have them call TOLL FREE, 24 hours a day, any day and ask for the BEECH "TAKEOFF" operator: USA 800-447-4700 (in Illinois, 800-322-4400); Canada 800-261-6362 (Toronto, 445-2231).


You can't make steel
without dependable
supplies of raw materials.
We have them.



Three of the basic raw materials used in steelmaking are iron ore, limestone and coal. A modern mill requires immense quantities, every day, around the clock, year in, year out.

United States Steel has the capability of providing much of these essential materials from its own sources for decades to come.

For example, most of our iron ore comes from reserves that are expected to last until the middle of the next century. Our coal mines should continue producing for over 100 years, and we have vast deposits of limestone.

Our advanced American way of life relies on products made from steel. This is why our country weakens its economic independence when a significant amount of this steel is imported. Furthermore, American manufacturers need a reliable domestic source of this very basic metal. We intend to continue to be just that.

Dependability. It's one of our strengths.

USS

United States Steel, 600 Grant St., Pittsburgh, Pa. 15230

TRADEMARK

On the way up, the work may not get easier,
but the rewards get better.
Johnnie Walker
Black Label Scotch
YEARS 12 OLD
12 YEAR OLD BLENDED SCOTCH WHISKY, 86.8 PROOF BOTTLED IN SCOTLAND. IMPORTED BY SOMERSET IMPORTERS, LTD., N.Y.

sence from this market. So while ortgage money will be a lot tighter, nances are that in 1979 it will not be nexistent.

With the economy now clearly in a ate of greater flux, more firms found it xpedient to adopt new strategies or pol- h up old ones. U.S. Home, the nation's rgest house builder, for example, after a ecade of boardroom turmoil and medio- re earnings, reverted to a strategy first ied in the 1960s. "The key is not to get ocked into one product," explains hairman Guy R. Odom, who is pushing wider range of models to fit every- ody's budget. Similarly, giant Weyer- aeuser, which is big in building and ortgages as well as lumber, is peddling wer-priced, smaller units. "The con- umer must settle for less," says Weyer- aeuser Vice President John Creighton. wens-Corning Fiberglas is prospering om the insulation boom, but is also ushing its fiberglass as a roofing materi- . Roofing shingles are a $1 billion-a- ear business, and OCF believes glass bers' share of that market, already up

House building in Utah
A slowdown even in the Sunbelt.

from virtually nothing to 15% in three years, can reach 50% in 1981 at the expense of organic felt.

What of heavy construction? "We are still like the bridegroom standing at the altar waiting for the bride to arrive," says Fischbach & Moore Executive Vice President Philip Heller. "We know we're going to get married, but we don't know when." The long-awaited boom in capital spending is still just that. "It's been a hell of a disappointment," says Morrison-Knudsen President William H. McMurren. "What capital spending there has been too often went to knock down a few walls and upgrade equipment, but not for new plants."

What makes the delay ticklish for many of the bigger construction outfits is that some of their lucrative overseas ventures appear to be drying up. The tremendous earnings gains shown by firms like Santa Fe International, Fluor and Parsons *(see yardsticks)* came from designing and building refineries, ports, harbors, even cities in the Middle East and from oil drilling platforms for the

Construction—Contractors:
Yardsticks of Management Performance

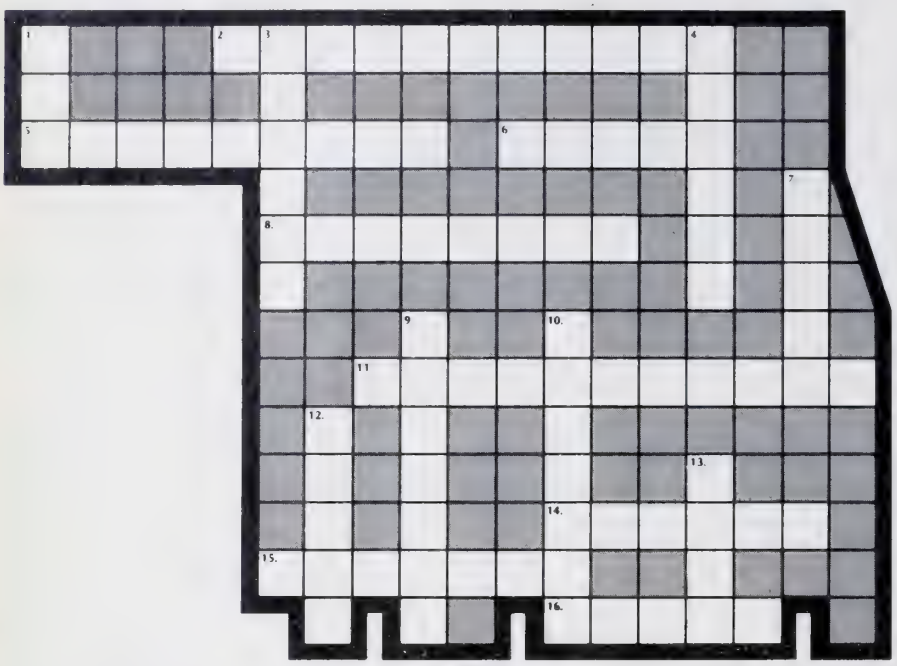
	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
HEAVY CONSTRUCTION												
Parsons	31.1%	1	31.2%	0.4	23.1%	1	21.7%	2.5%	18.0%	9	33.4%	8
J Ray McDermott	28.4	2	16.3	0.4	9.4	3	20.6	7.0	31.6	1	48.2	3
Halliburton	24.4	3	23.5	0.2	18.9	4	19.7	6.3	28.1	4	32.5	9
Fluor	23.0	4	20.5	0.1	17.8	2	21.5	2.8	29.0	2	34.1	7
Santa Fe Intl	21.3	5	16.1	0.6	9.7	8	12.5	10.1	23.3	7	34.4	6
C F Braun	20.5†	6	14.0	0.0	10.6	7	15.2†	4.5	24.8	5	39.8	5
Raymond Intl	20.4	7	18.8	0.2	15.5	6	15.6	3.4	15.9	12	76.9	1
Blount	19.9	8	27.4	0.7	15.6	9	11.2	2.3	12.4	15	21.8	12
SEDCO	18.5	9	12.7	0.8	8.3	11	10.9	9.7	23.4	6	24.1	11
Turner Construction	15.8	10	13.7	0.0	13.6	5	15.8	0.5	4.4	17	5.4	16
Fischbach & Moore	15.1	11	13.8	0.3	11.0	10	11.0	1.9	13.4	14	7.3	14
Dravo	13.6	12	13.4	0.1	12.0	12	10.0	2.1	16.6	11	16.1	13
Morrison-Knudsen	12.9	13	15.7	0.5	11.5	13	9.8	2.5	14.5	13	30.6	10
United States Filter	9.4	14	8.6	0.4	8.6	14	8.2	2.8	28.8	3	41.6	4
Dynalectron	8.7	15	1.7	0.7	2.7	15	7.1	0.2	22.9	8	6.0	15
Perini	8.4	16	5.0	0.2	3.9	16	6.9	0.9	10.3	16	48.7	2
Intl Systems	def	17	def	**	def	17	def	def	16.9	10	P–D	17
Medians	**18.5**		**14.0**	**0.4**	**11.0**		**11.2**	**2.5**	**18.0**		**32.5**	
HOME BUILDING												
Ryan Homes	20.4%	1	19.2%	0.1	17.6%	1	17.4%	4.3%	14.9%	3	13.9%	1
Centex	15.5	2	20.1	0.7	9.0	3	7.6	4.0	16.9	1	9.6	2
Del E Webb	10.1	3	15.1	0.6	13.1	2	8.0	3.1	4.9	5	7.7	3
U S Home	9.5	4	21.7	1.3	9.2	4	5.0	3.9	16.6	2	–3.5	4
Kaufman & Broad	3.1	5	11.4	0.1	9.1	5	2.7	4.1	9.5	4	–19.6	5
Medians	**10.1**		**19.2**	**0.6**	**9.2**		**7.6**	**4.0**	**14.9**		**7.7**	
Industry Medians	**15.7**		**15.4**	**0.4**	**10.8**		**11.0**	**3.0**	**16.8**		**23.0**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

NOTE: Explanation of Yardstick calculations on page 40. †Four-year average. P-D Profit to deficit. def Deficit. **Not available; not ranked.

Puzzled about where to locate your new plant?

Take the Oklahoma Challenge. 10 to 14 correct answers and consider yourself a PROFIT EXPERT, 5 to 9 correct answers make you a PROFIT WHIZ and 0 to 4 correct answers means you need to know much more about the profitability of locating your new plant in Oklahoma.

Check your answers against ours then write, in confidence for more detailed information about Oklahoma — the profitable place to be.



ACROSS

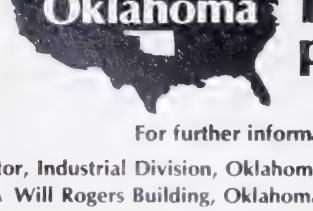
2. Manufacturing is now as important to Oklahoma as _____ once was.
5. Seven major _____ connect most Oklahoma communities with all U.S. Cities and markets.
6. Oklahoma's labor _____ is more productive than the national average.
8. Equipment for _____ of Labor is provided at no cost.
11. An attitude that provides favorable legislation and other incentives for locating in Oklahoma. (Pro _____)
14. Oklahoma's number one resource.
15. Oklahoma's location in the U.S.
16. Our corporate income _____ are only 4%

DOWN

1. American, Braniff, Continental, Delta, TWA, Frontier and Ozark offer excellent _____ service.
3. Oklahoma's manufacturing has experienced a 140% _____ since 1950.
4. Machinery, equipment & materials consumed in the process of manufacturing are _____ from sales tax.
7. Low-cost transportation is provided through the _____ of Tulsa and Muskogee.
9. The main reason companies are attracted to Oklahoma.
10. Oklahoma is known as the "buckle on the _____."
12. Oklahoma has an abundant supply of _____.
13. Oklahoma is a _____ port tax state.

Oklahoma has the answers.

ACROSS 2. Agriculture 5. Railroads 6. Force 8. Training 11. Pro Business 14. Energy 15. Central 16. Taxes DOWN 1. Air 3. Growth 4. Exempt 7. Ports 9. Profits 10. Sunbelt 12. Water 13. Free



The profitable place to be

For further information, call or write

Director, Industrial Division, Oklahoma Industrial Development Department
533A Will Rogers Building, Oklahoma City, OK 73105 (405)521-2401

North Sea or other foreign ventu
"We're being hammered out of S
Arabia by the Koreans, and there's
to no orders coming from the N
Sea," complains Santa Fe Senior
President Frank E. Reynolds, who po
out that hungry European construct
firms are now fighting U.S. compa
for business in their own backyard in
Gulf of Mexico. "I doubt a lot of pe
are making money," sighs Reynolds.

Surprisingly, the most bullish firms
those in cement, which probably
fered the worst setback in the last re
sion. While total industry sales are
pected to slip 3% or so, big outfits
Lone Star and Ideal Basic figure they
gain market share and may boost e
ings in 1979 by 10% or more. "Cem
will still be on allocation this year," s
Ideal Basic President John A. Love,
calling how, in order to compensate
shortages in 1978, cement was impo
from as far away as Japan and Norw
"We are looking at another four to

***By nature, construction m
are optimists, building mo
in anticipation than again
firm bookings. This would
be the first time they've m
judged the market.***

years of shortages," adds Lone Star Pr
dent James E. Stewart, who like Lov
busily adding a plant in the Gulf Co
region.

Too optimistic? Maybe. Dallas-ba
Gifford-Hill Chairman John R. Hill
thinks so. "When I see everybody
nouncing new plants in the same gen
market area, I pull back," says H
whose plans call for a limited expans
in the north Texas market.

Still, the odds are that this time arou
the construction industry will not c
lapse as it did in the mid-1970s. All th
changes cannot but help. But this s
remains an industry whose fortune c
turn almost overnight. So the wise m
agers are those who talk up good tim
while quietly dropping cautious anch
to windward. Listen to wily Jim Walt
whose firm fared better than most in t
last recession. "The last time arou
when money became tight we w
heavily in short debt," explains Walt
"So in the last couple of years I've do
over $250 million in long-term finan
ing." Walter isn't taking any chances
staying entirely with short-term mon
which may have to be rolled over a
prohibitive interest rate. Walter,
short, is hopeful but keeping his powd
dry. If the optimists are right and t
decline is only moderate, some of th
low P/Es are going to look terribly che
six months from now even if earnings
come down a bit. ■

How did Gannett become one of the big wheels of Fortune?

By delivering. Good newspapers. And good financial news.

According to Fortune Magazine's latest "500" issue, Gannett ranked 7th among 500 U.S. corporations in return on investment to its shareholders over a 10-year period.

Now, on our 11th anniversary as a public company, we'd like to share with you the highlights of Gannett's growth history.

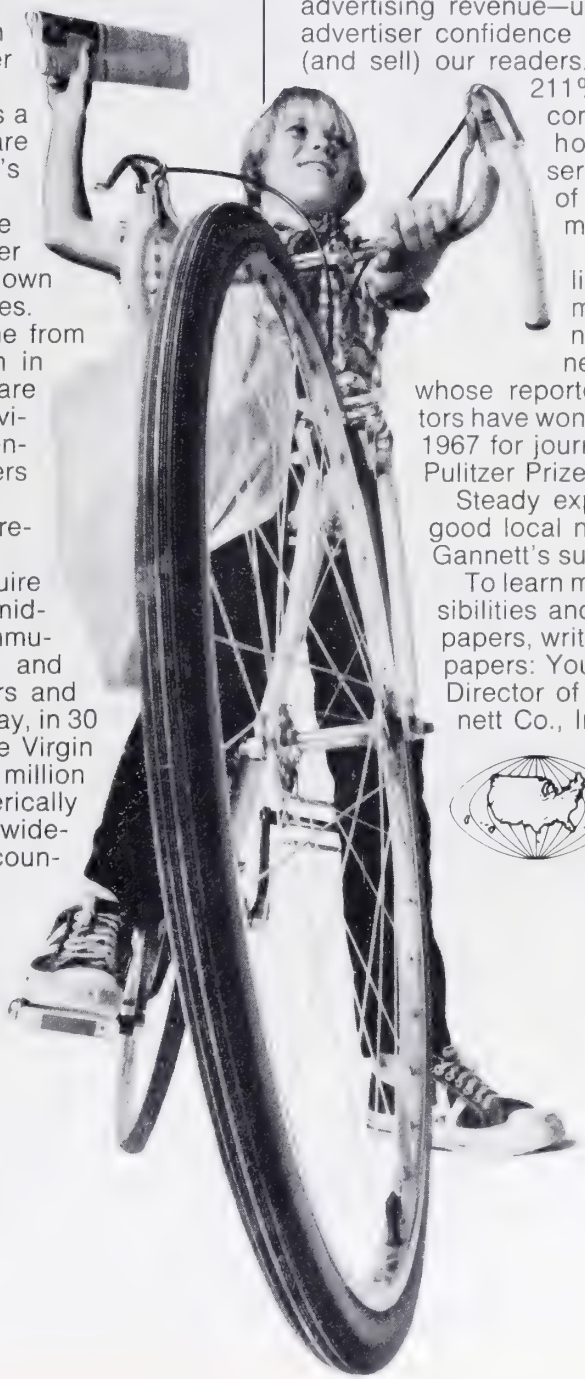
Since going public in 1967, we've increased our earnings every quarter for 44 consecutive quarters. No down quarters even in recessionary cycles.

In that same period, we've gone from $184 million to over $557 million in sales, increased earnings per share from 58¢ to $2.60, improved our dividends from 22¢ to $1.40 and enlarged our group of daily newspapers from 28 to 78.

Delivering exceptional financial results didn't just happen.

First, Gannett set out to acquire newspapers in healthy, growing middle-sized markets. In sound communities as different as Burlington and Boise, Fort Collins and Fort Myers and San Bernardino and Santa Fe. Today, in 30 states, in the U.S. territories of the Virgin Islands and Guam, we serve over 3 million reader families. We're the numerically largest and geographically most widespread newspaper group in the country. And, we plan to extend our successful acquisition program to other dynamic growth media.

Second, Gannett set out to grow internally. Our advertising revenue—up 206% in 10 years—reflects advertiser confidence resulting from ads that reach (and sell) our readers. Our circulation revenue—up 211% in 10 years—reflects reader confidence resulting from good hometown newspapers which serve the varied wants and needs of their readers and their communities.



Most important, Gannett delivers an indispensable commodity—locally edited, community-minded, reader-serving newspapers. Good newspapers whose reporters, photographers, and editors have won more than 2,500 awards since 1967 for journalistic excellence, and seven Pulitzer Prizes in Gannett's history.

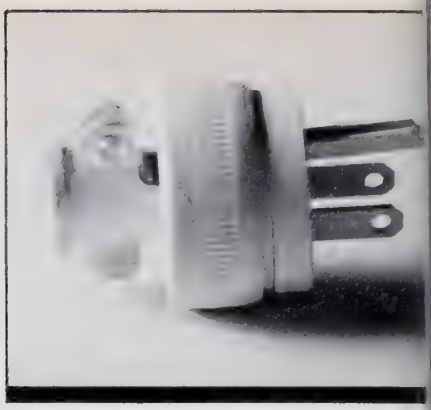
Steady expansion, internal growth, and good local newspapers are the secrets of Gannett's success.

To learn more about the exciting responsibilities and rewards of America's newspapers, write for your free copy of "Newspapers: Your Freedom Wrapper," care of Director of Information, Dept. F W, Gannett Co., Inc., Rochester, N.Y. 14604.

Gannett

*Gannett has announced agreement in principle to merge with Combined Communications Corporation, a Phoenix-based diversified media company with seven television stations, 13 radio stations, two newspapers and outdoor advertising facilities in 11 U.S. states and in major Canadian cities.

The telephone business is getting more competitive; the electricity business, more federal regulation. But the gas business gets more gas.



Utilities

NEW YORKERS, who willingly spend $100 a month to park their cars or $50 for a mediocre dinner for two, complain bitterly about paying Consolidated Edison an extra couple of dollars a month to enable that utility to maintain a fair return of 11.3% on its investment. That the typical Manhattanite gets a month's dependable gas and electric service for less than the cost of a pair of Broadway musical tickets doesn't seem to please him. Neither does the fact that his telephone service is the best and cheapest in the world. Instead he overwhelmingly elects a candidate for state attorney general who promises to fight for cheaper telephone service. Utilities for better or worse, are sitting ducks for politicians and consumerists.

Take the telephone companies, for example. They are probably in the best situation of all the utilities for the simple reason that they are experiencing real growth. People made more long distance phone calls last year than ever before—up 13% from the above-average gains of the year before. At the same time the companies were able to hold down costs because of the move to electronic switching, so they had productivity gains. Rate increases, geared to interest coverage, were granted in many cases, so industry profits improved an average 16% on sales gains of 13%.

As for this year, American Telephone & Telegraph Co. outgoing Chairman John deButts says, "It would be unrealistic to expect the growth of our business to continue at the accelerated pace of the last several quarters." He adds, however, that he expects the company to sustain its earnings progress. General Telephone & Electronics Corp. Chairman Theodore Brophy says he "personally believes we are going to see continued growth on the telephone side of our business. If the economy turns down substantially, the growth may not be as great, but I think we can still see healthy growth ahead."

The telephone industry's growth is due, in part, to its increased emphasis selling services and not just sitting ba and waiting for demand to grow. Tl emphasis is a response to the regulat reforms that began when the Fede Communications Commission star allowing such competitors as Carterfc and MCI Telephone Communicatic into the telephone equipment and p vate line communications business the late Sixties. They intensified l year when the Supreme Court decic against reviewing a related decision.

Meanwhile, Congress is consideri revamping the law under which t phone companies operate, the Comm nications Act of 1934, and the Justi Department continues pursuing its an trust suit, which aims to break up A Bell. Thus, the telephone compani have plenty of problems, but as long they can continue to grow at a good c they can probably continue to surmou them and produce fair returns for th shareholders.

Utilities—Electric & Telephone
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital					Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
NORTHEAST												
Long Island Lighting	13.3%	1	14.0%	0.9	7.5%	1	6.9%	16.7%	16.1%	6	3.4%	5
Pa Power & Light	12.6	2	11.9	0.9	6.6	2	6.6	18.6	16.2	5	4.7	3
New England G & E	12.4	3	13.5	0.9	6.8	4	6.3	6.4	17.7	1	5.4	2
N Y State Elec & Gas	11.5	4	12.9	1.1	6.7	3	6.4	13.8	13.4	12	3.4	6
New England Electric	11.3	5	13.1	1.0	6.4	8	6.0	8.6	14.3	10	3.9	4
Consolidated Edison	11.3	6	11.2	0.8	6.3	7	6.0	10.4	16.0	8	11.1	1
Niagara Mohawk Power	10.9	7	11.3	1.0	6.3	8	6.0	10.9	13.5	11	3.2	7
Delmarva Power & Lt	10.9	8	12.5	1.0	7.0	5	6.2	13.0	17.3	2	–0.6	12
Pub Svc Elec & Gas	10.7	9	11.4	0.8	6.2	10	5.9	10.2	16.0	7	0.6	10
Rochester Gas & Elec	10.5	10	11.6	0.9	6.5	6	6.1	10.8	11.7	14	2.3	8
General Public Utils	10.4	11	10.6	1.0	6.2	11	5.7	10.7	16.5	4	1.7	9
Northeast Utilities	10.3	12	8.6	1.2	5.2	12	5.7	8.6	12.9	13	–0.3	11
Phila Electric	9.3	13	8.6	1.0	5.2	13	5.4	11.7	15.6	9	–1.8	13
Boston Edison	8.1	14	9.5	0.9	5.3	14	4.9	7.8	16.5	3	–4.9	14
Medians	**10.9**		**11.5**	**1.0**	**6.4**		**6.0**	**10.8**	**16.0**		**2.8**	

Why have finance and industry discovered the Chicago Mercantile Exchange?

It works.

For years people in finance and industry thought of the Chicago Mercantile Exchange — if they thought of it at all — as a place where farmers and arcane people called speculators exchanged pork bellies and other odd-sounding items for mysterious reasons of their own.

But in 1972, something remarkable happened. The always-innovative C.M.E. established a division, the International Monetary Market, to trade futures contracts in a half dozen major foreign currencies. These were followed by contracts in gold, 13-week U.S. T-bills and one year U.S. T-bills.

For the first time, corporations, banks, funds and many others looked at futures trading as it pertained to their own business, and they discovered something very interesting — it works! A worldwide open auction market, which is what the I.M.M. is, greatly increases competition. Competition increases efficiency. Companies doing business abroad need not suffer monumental losses in foreign exchange. Businesses that loan or borrow millions of dollars can determine their interest rates with a much greater degree of certainty. Speculators, a necessity for market liquidity, found the new market challenging and exciting. The result is a booming marketplace where billions of dollars worth of futures contracts are exchanged annually.

The open market, one of the oldest ideas in the world—and one of the newest. It also goes by another name. It's called "free enterprise".

And it works.

CHICAGO MERCANTILE EXCHANGE

International Monetary Market Associate Mercantile Market

444 W. Jackson Boulevard, Chicago, Illinois 60606

A federally licensed contract market

Utilities—Electric & Telephone:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
MIDWEST												
Public Service Ind	14.5%	1	12.6%	0.8	6.3%	2	7.0%	16.0%	14.1%	17	6.8%	1
Cleveland Elec Illum	13.9	2	11.6	0.9	6.6	1	7.2	14.1	16.3	9	3.5	4
Toledo Edison	13.1	3	12.2	1.0	6.9	7	6.2	16.8	16.9	8	1.4	7
Wisconsin Pub Svc	12.8	4	14.1	0.6	7.4	3	6.8	10.3	17.0	7	6.1	2
Illinois Power	12.6	5	13.2	0.9	6.4	8	6.2	12.6	14.0	18	–0.1	12
No States Power	12.6	6	13.7	0.8	6.6	13	6.0	11.7	14.3	15	2.9	5
Cincinnati G & E	12.0	7	12.6	0.9	6.7	6	6.3	9.6	14.4	14	–0.2	13
Central Ill Pub Svc	11.7	8	11.1	1.1	6.2	15	5.9	9.6	16.1	11	–0.7	15
American Elec Power	11.5	9	11.4	1.2	6.1	11	6.1	10.9	18.9	1	–0.6	14
Ohio Edison	11.5	10	7.6	1.0	5.0	16	5.8	10.6	16.3	10	–1.2	16
Columbus & So Ohio	11.4	11	7.2	1.0	5.2	5	6.4	11.7	17.7	3	2.3	6
Wisconsin Elec Power	11.4	12	12.3	0.7	7.0	4	6.5	9.8	12.4	20	5.6	3
Union Electric	11.3	13	12.6	1.1	6.4	12	6.1	13.1	14.3	16	1.3	8
Allegheny Power	11.3	14	8.8	1.0	5.0	10	6.1	6.9	17.5	4	0.6	9
Duquesne Light	10.6	15	6.8	1.0	4.8	17	5.6	10.6	17.3	5	–2.8	19
Dayton Power & Light	10.6	16	9.4	1.0	5.9	9	6.2	8.7	15.2	13	–1.9	17
Commonwealth Edison	10.6	17	11.1	1.1	6.5	14	6.0	13.0	13.5	19	0.1	11
Consumers Power	10.3	18	11.0	0.9	5.7	18	5.3	9.3	17.1	6	0.3	10
Central Illinois Lt	9.2	19	9.8	0.8	5.4	19	5.1	8.5	17.9	2	–4.8	20
Detroit Edison	8.6	20	8.9	0.9	5.1	20	4.9	8.9	15.4	12	–2.7	18
Medians	**11.5**		**11.3**	**1.0**	**6.3**		**6.1**	**10.6**	**16.2**		**0.2**	
SOUTHEAST												
Tampa Electric	13.7%	1	15.6%	0.9	6.9%	4	6.2%	10.7%	21.5%	4	6.6%	2
Florida Power	12.4	2	13.5	0.8	6.5	10	5.6	10.7	24.9	1	3.4	5
Florida Power & Lt	12.2	3	14.3	0.9	7.1	2	6.3	12.7	20.1	6	6.6	1
So Carolina E & G	12.2	4	13.7	1.0	6.8	5	6.1	13.1	18.8	8	1.9	8
Middle South Utils	12.1	5	13.2	1.2	6.4	8	5.7	10.9	17.7	10	3.1	7
Carolina Pwr & Lt	11.7	6	14.2	0.9	7.0	6	5.9	16.3	21.8	2	3.9	3
Baltimore Gas & Elec	11.1	7	12.0	1.0	6.7	3	6.3	13.0	14.4	11	1.4	9
Duke Power	10.8	8	12.4	0.9	6.7	7	5.8	16.0	19.2	7	3.5	4
Potomac Elec Power	10.4	9	11.2	1.1	6.5	1	6.5	11.6	17.9	9	3.2	6
Southern Company	10.4	9	8.8	1.1	4.5	11	5.0	7.2	20.7	5	–1.4	11
Va Electric & Power	10.1	11	10.3	1.0	6.2	9	5.7	14.0	21.7	3	–0.8	10
Medians	**11.7**		**13.2**	**1.0**	**6.7**		**5.9**	**12.7**	**20.1**		**3.2**	
SOUTHWEST												
Southwestern Pub Svc	19.7%	1	18.4%	1.1	8.1%	1	8.2%	13.0%	19.5%	2	9.2%	1
Central & South West	14.1	2	15.0	0.8	7.5	5	7.1	10.7	18.9	4	4.5	5
Houston Industries	13.5	3	13.7	0.9	7.0	2	7.3	10.0	21.5	1	6.1	3
Arizona Public Serv	13.3	4	15.0	1.0	8.0	4	7.2	19.6	19.4	3	6.4	2
Texas Utilities	13.3	4	13.6	0.9	7.2	3	7.2	12.8	17.4	6	5.2	4
Oklahoma Gas & Elec	13.0	6	13.3	1.1	6.2	6	6.7	11.8	17.9	5	2.7	6
Gulf States Utils	11.7	7	11.5	1.1	5.4	7	5.6	9.6	17.2	7	1.6	7
Medians	**13.3**		**13.7**	**1.0**	**7.2**		**7.2**	**11.8**	**18.9**		**5.2**	
WEST												
Pacific Pwr & Lt	12.3%	1	13.5%	1.3	6.6%	4	6.4%	19.1%	17.8%	3	4.0%	2
San Diego Gas & Elec	11.5	2	13.4	1.0	7.7	1	6.9	12.2	19.8	2	1.4	4
So Calif Edison	11.3	3	9.5	0.9	5.8	3	6.5	10.0	17.4	4	7.0	1
Utah Power & Light	11.3	4	11.3	1.0	6.9	2	6.7	18.3	20.0	1	2.1	3
Pacific Gas & Elec	10.6	5	10.3	0.9	6.6	5	6.2	11.2	16.4	5	1.3	5
Public Service Colo	10.2	6	9.0	1.0	5.2	6	5.5	7.9	16.4	6	–1.1	6
Medians	**11.3**		**10.8**	**1.0**	**6.6**		**6.5**	**11.7**	**17.6**		**1.8**	
TELECOMM												
United Telecom	16.7%	1	18.4%	1.0	7.8%	2	7.1%	11.2%	13.8%	1	7.8%	3
Central Tel & Utils	16.6	2	17.2	1.0	7.3	1	7.3	11.5	13.1	2	9.7	1
General Tel & Elec	14.0	3	16.5	1.0	7.7	4	6.7	7.5	11.5	3	6.5	4
Continental Tel	12.4	4	13.8	1.2	6.7	6	5.8	10.6	10.3	5	2.1	6
American Tel & Tel	11.6	5	13.3	0.7	7.4	3	6.7	12.9	11.5	4	7.8	2
So New England Tel	10.3	6	12.9	0.7	6.8	5	6.0	11.4	9.9	6	3.9	5
Western Union	4.9	7	6.6	0.8	5.4	7	4 4	7.1	7.5	7	–1.8	7
Medians	**12.4**		**13.8**	**1.0**	**7.3**		**6.7**	**11.2**	**11.5**		**6.5**	
Industry Medians	**11.5**		**12.3**	**1.0**	**6.5**		**6.2**	**10.9**	**16.5**		**2.3**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40.

'hings are tougher for the power com-
ıies. For years, because of continued
hnological advances, productivity al-
st constantly improved and much of
saving was passed on to the custom-
But the productivity gains came to an
l at around the same time as, thanks
OPEC, fuel costs soared. By world
ıdards, electricity was still a bargain
the U.S., but the public no longer
ceived it as such. Since then the pow-
ompanies have become a favorite tar-
of politicians and self-appointed
rdians of consumer rights.

)n top of that, for the power compa-
s, unlike for the telephone companies,
nand began to flag. In spite of last
r's general prosperity, demand for
ctric power increased by only about
to 5%, down from 7% to 8% in the
rs before the oil crisis.

aced with uncertainties about future
nand, utilities have been going slow
ordering new plants. Compounding
problem is the question of what
es of new plants to build. Certainly
oil or gas—those have been prohibit-
The EPA is still writing regulations to
ılement the most recent Clean Air
Amendments (July 1977). No one
)ws how they can be met, or at what
t, if coal is burned. Then, too, there
the perennial labor problems in the
l mines. As we went to press, the
erior Department announced that it would release, early in December, its environmental impact statement for its long-awaited coal-leasing policy.

Most utility men would still prefer to go nuclear. But the attacks on nuclear power plants have by no means subsided.

The capital cost of both coal and nuclear plants is enormous. Yet, many state regulatory commissions have ruled that the cost of that capital,

Drilling for new gas had already doubled as a result of 1976's threefold price increase. The increases scheduled in the new law will encourage more exploration. Ironically, now the uncertainty for the gas industry is demand.

which is the interest on the construction funds, can't be included in the rate base until the plants are actually producing electricity. It's not surprising, therefore, to see companies joining together more and more frequently to build power plants.

The companies are also coming up with new financing techniques. One (FORBES, *Oct. 30, 1978)* is to tap the tax-exempt bond market by teaming up with municipal utilities. Here, however, the burden is shifted to the taxpayer, who pays an indirect subsidy to the owners of the new tax-exempt bond.

In the future the electrics will have the federal government overseeing them to a much greater extent than ever before. The President's original energy proposal would have ordered specific conservation measures, such as time-of-day pricing. As enacted, the law doesn't mandate those measures but does call for the Secretary of Energy to get involved with state utility commissions to make certain that utilities are trying them out. The new law says, too, that utilities must help their customers arrange to install and finance insulation but can't sell it to them.

So the companies must get their customers to buy as little of their product as possible but be prepared to supply them with as much as they might want and be able to determine a good 10 to 15 years in advance how much that might be.

To the gas producers, pipeliners and distributors, the supply situation is looking better than in years. The energy bill that finally became law in November may be a regulatory nightmare with its 27 categories of gas (or 33, depending upon how you interpret it), but it does do one thing: It increases incentives for finding natural gas.

"Additional supplies will become available almost immediately," says Eugene Luntey, president of Brooklyn

Behind every great Western temporary is a dedicated Western manager.

Only experienced temporary help managers can bring out the best in their temporaries. By making the right assignments—for everyone concerned.

Western managers have this personnel know-how. More than 30% have been with Western over five years. Many have been on your side of management so they have a particular understanding of your needs. And all draw from the company's 30 years as a quality temporary help specialist.

They recruit innovatively, test carefully, interview thoroughly, and assign selectively. You will appreciate their expertise in analyzing and evaluating a temporary's potential for meeting your specific requirements.

That's why Western's the one to call whenever you need temporary help. We're in the white pages.

Western
TEMPORARY SERVICES, INC.

Corporate Headquarters.
101 Howard St., San Francisco, Ca 94105

Union Gas Co. Robert Herring, chief executive of Houston Natural Gas Corp., confirms that view. "Five [interstate] pipelines have already been in here," he said in late October. He now feels free to sell them gas that had been available only to the now price-controlled intrastate market, which was oversupplied.

Drilling for new gas had already doubled as a result of 1976's threefold price increase. The price increases scheduled in the new law will encourage even more exploration. How much new gas will result? Estimates run as high as 5 trillion additional cubic feet annually by 1985.

Ironically, now the great uncertainty for the gas industry is demand.

By law, industrial users must bear the brunt of gas price increases, and so they are switching wherever *possible* to coal or oil. Thus, the industrial market is severely limited for gas companies.

The gas companies will, however, be able to take on new residential customers, which most of them had not been able to do for several years. Is this enough? John Gillum, manager of research at Rotan Mosle, Inc. in Houston, points out the industry is moving 60% less gas through the interstate pipeline system than it did in the early Seventi With markets limited and prices hig new growth is not likely to be wild. F years everybody has started his speec "Natural gas is running out," says Broo lyn Union's Luntey. "So it will take tin to build back demand."

Despite these problems on the dema side, more of these companies will looking good this year just because higher prices and greater availability.

Amid the confusion and crosscurren one thing is clear: Whatever it may ha been in the past, running a utility cor pany is no longer a soft touch. ■

Utilities—Natural Gas:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales	Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
PROD & PIPELINE												
So Natural Resources	18.8%	1	19.6%	0.8	10.1%	1	9.5%	10.2%	15.6%	5	14.0%	1
Tenneco	17.6	2	15.2	0.7	8.9	2	9.1	5.5	16.9	4	12.2	2
Panhandle Eastern	17.2	3	16.1	0.8	8.7	4	8.3	8.5	15.1	6	10.1	3
ENSERCH	16.1	4	12.1	0.8	7.3	3	8.7	3.8	30.9	2	9.2	5
Texas Eastern	14.7	5	14.2	0.8	7.6	5	7.3	6.4	17.1	3	8.7	6
Transco Companies	14.1	6	14.5	1.8	6.3	7	5.8	6.1	9.8	7	1.2	7
Coastal States Gas	12.8	7	10.1	0.9	5.5	6	6.5	1.5	38.8	1	9.7	4
El Paso Company	10.6	8	5.8	1.6	3.4	8	5.2	2.1	9.1	8	–1.8	8
Medians	**15.4**		**14.4**	**0.8**	**7.5**		**7.8**	**5.8**	**16.3**		**9.5**	
PIPELINERS & DISTRIB												
Pioneer Corp	30.0%	1	23.2%	0.7	12.5%	2	14.2%	6.7%	33.5%	2	28.5%	3
Houston Natural Gas	27.7	2	23.9	0.5	14.4	1	14.5	8.5	36.0	1	32.4	2
Utd Energy Resources	27.0	3	25.6	0.5	16.4	3	13.6	4.2	22.3	5	42.6	1
Northern Natural Gas	20.0	4	15.8	0.6	9.0	4	9.9	7.4	19.2	6	22.4	4
Ark Louisiana Gas	18.3	5	17.1	0.7	9.4	5	9.9	10.2	9.9	11	12.7	6
Centl Louisiana Engy	17.1	6	15.7	0.8	7.2	8	7.8	6.4	28.9	4	11.2	7
Northwest Energy	16.6†	7	11.9	1.1	6.3	9	7.6†	2.5	31.4	3	13.2	5
Peoples Gas	15.4	8	15.3	0.8	8.2	7	7.9	6.9	17.1	7	9.6	9
Texas Gas Transmn	15.4	9	14.6	0.8	8.0	6	8.2	5.2	13.2	10	10.8	8
Amer Nat Resources	14.8	10	15.8	0.8	8.4	10	7.5	7.3	15.7	8	7.5	10
Columbia Gas Sys	12.0	11	12.2	0.9	6.7	11	6.4	5.8	14.4	9	3.9	11
Medians	**17.1**		**15.8**	**0.8**	**8.4**		**8.2**	**6.7**	**19.2**		**12.7**	
DISTRIBUTORS												
Entex	26.3%	1	30.8%	0.8	15.1%	1	12.6%	6.1%	30.7%	1	32.6%‡	1
Oklahoma Natural Gas	21.2	2	23.7	0.9	12.9	2	11.3	6.5	30.0	3	17.2	2
NICOR	15.1	3	20.5	0.7	9.8	4	7.8	7.4	18.5	4	6.6	6
Southern Union	14.9	4	15.0	0.6	8.8	3	8.8	4.0	30.2	2	8.3	5
Atlanta Gas Light	12.6	5	14.4	0.9	7.1	9	6.5	4.2	12.3	12	9.9	3
Laclede Gas	11.9	6	14.8	0.9	7.7	8	6.6	4.4	13.3	9	2.6	10
Consol Natural Gas	11.9	7	12.1	0.7	7.2	5	7.3	6.8	12.9	11	9.1	4
No Indiana Pub Svc	11.8	8	9.5	0.9	5.1	12	5.8	7.1	15.1	6	–0.4	14
Wisconsin Gas	11.7	9	12.5	1.0	**		**	4.6	14.2	8	3.5	8
Brooklyn Union Gas	11.3	10	13.4	0.9	7.8	6	6.7	6.9	14.8	7	2.1	11
National Fuel Gas	10.2	11	10.5	0.8	6.7	7	6.7	4.1	15.3	5	4.6	7
Pacific Lighting	9.8	12	11.8	1.0	6.5	11	5.8	4.7	11.1	14	2.7	9
Gas Service	9.7	13	12.7	1.1	6.4	10	6.1	2.6	11.8	13	1.9	12
Washington Gas Light	8.4	14	8.8	1.0	5.5	13	5.4	4.4	13.0	10	0.7	13
Medians	**11.9**		**13.1**	**0.9**	**7.2**		**6.7**	**4.7**	**14.5**		**4.1**	
Industry Medians	**14.9**		**14.6**	**0.8**	**7.8**		**7.7**	**6.1**	**15.6**		**9.2**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. †Four-year average. ‡Four-year growth. **Not available; not ranked.

The Cheetah can't protect itself, let alone its young.

Are you protecting all you should?

The Cheetah's inability to cope with changes in its habitat puts it in a tenuous position. It's difficult to imagine such a threatened animal providing security to others.

If you're responsible in any way for the protection of an industrial property, you're also responsible for protecting the employees; their jobs and well-being. The practice of loss prevention can strengthen that protection. And that's where Allendale Insurance can help.

Factory Mutual System

Allendale Insurance

Allendale Park, Johnston, Rhode Island 02919

Stress ribs disfigure a printed coffee can so it looks like this. Not very pretty.

Beautifully printed IP paper label covers this can so it can have more stress ribs and less steel.

How International Paper gives the wrinkled can a face lift—and helps food processors save a pretty penny

Those wrinkles you see around cans are stress ribs.

Canmakers press them into cans to make them stronger.

There's a limit to the number of ribs a food manufacturer can tolerate on his can, because he wants it to be readable and look enticing on supermarket shelves.

More ribs, less metal

But if more ribs could be engineered *into* the can, less metal would be needed *for* the can. And that could save food processors money.

Keeping a warehouse full of cans for different brands, promotions and sizes ties up a lot of money, too.

The Coca-Cola Company Foods Division faced those problems with its coffees and posed them to International Paper.

IP's packaging experts came back with a money-saving idea that was remarkably simple: *cover that can with a beautifully printed paper label.*

IP's idea offered Coca-Cola Foods many attractive advantages:

1. Savings on metal. They could replace their can of heavy-gauge ribbed steel by using a less expensive can of lighter-gauge steel with *more ribs.*

2. Less inventory. Instead of having to carry high inventories of printed cans of many different kinds and sizes, they could just store the necessary sizes of unprinted cans—and keep on hand their inventory of printed paper labels in a smaller space.

IP paper labeling lets processors keep an inventory of many different labels instead of many different cans. A big savings in storage space!

3. More readable label. Stress ribs distort graphics on printed cans and make them less attractive on supermarket shelves. With stress ribs covered, the label is easier to read and can have more sales appeal.

4. More marketing flexibility. Printed cans call for more advanced planning and a big investment in special cans. With paper labels, product managers could react to changing market conditions more quickly and get price-off or other promotions on shelves faster.

IP's experts showed Coca-Cola Foods how our high-speed presses can print labels with all the mouth-watering realism of the finest photograph.

We showed them our versatility. IP can print labels for almost any package anyone puts out. For food products like coffee, frozen juice, salad dressing, soup, peanut butter; or other products like bar soap, dishwashing detergent, motor oil, household cleanser and fabric softener. Even wine.

21 different combinations

Coca-Cola Foods put IP's idea to work. Now they save with IP labels on 21 combinations of grinds and sizes for their Butter-Nut and Maryland Club brands.

A beautiful paper label to cut costs on metal cans is only one example of International Paper's creative solutions to our customers' problems in every industry—from food processing to meat-packing to building to publishing to energy to hospital supplies and many more.

May we help you?

INTERNATIONAL PAPER COMPANY

220 EAST 42ND STREET, NEW YORK, NEW YORK 10017

Harris technology on the job

Harris interactive computer terminal system
in U.S. Steel's order entry department

In information systems, Harris produces data processing terminals, general-purpose computers, word processing systems and supervisory control systems.

Harris intelligent interactive computer terminals handle a variety of data processing applications. In order entry systems, they're helping companies process orders more efficiently — and serve their customers better.

Harris technology works worldwide — in communication equipment, information systems, government systems, semiconductors and printing equipment. For information, write: Harris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATIONS AND INFORMATION HANDLING

'rade down from or trade down to? In a ecession it pays to look closely at product ines, even in this industry.

Food and drink

gistered Hereford on a farm near Lexington, Ky.
they're breeding on the farm, they're not round roasts in the supermarket.

THIS IS A YEAR when we are likely to find out how defensive individual food and drink stocks still are. ast year most of the industry showed it uld deal with inflation pretty handily. lany of the basic food commodities rged upward in the first half, threaten- g to pinch the margins food companies ave been happily widening since the aotic markets of 1974-75. No problem: he companies raised their prices in the cond half, partly to recoup, partly per- aps to anticipate possible price con- ols; and the consumer responded by aying them.

Comes recession, which most indus- y CEOs expect, the ongoing shift nong the packaged-food companies to- ard even more highly manufactured od products will be in for a test. These igh-value-added" items, things like epsiCo's fast-growing Frito-Lay prod- cts, Green Giant's (and others') frozen astic pouches containing vegetables nd "butter sauce," or some of the more icey breakfast cereals (like Quaker ats' products), are both relatively high- argined and popular. But ultimately they are expendable, or at least replaceable with cheaper, lower-margined items. The question is, will the consumer substitute?

William Maguire, the well-respected top food analyst at Blyth Eastman Dillon, fears he will. "But companies like Heinz, CPC International, General Mills and Ralston Purina would remain classic defensive companies," Maguire promises. "Those are some of the companies whose products are mostly traded down *to*, not down *from*."

Meanwhile, a study by another noted food analyst, Robert Cummins of Loeb Rhoades Hornblower, indicates unit volume growth for packaged grocery items has been slowing toward zero for several years. This is difficult to measure well, since trends vary so from product to product, but the report massages authoritative A.C. Nielsen data on 75 leading supermarket items to elicit an overall trend. It finds that unit volume grew 3% a year on average until 1973, but since the beginning of 1974 has shown a decidedly different pattern. First, unit volume *declined* in late 1974 and first-half 1975

on a year-to-year basis. All right, that was the worst recession in 30 years. But despite an encouraging snapback in 1976-77, unit volume (*not* dollar volume, remember) has managed to struggle to only a 1% compounded growth rate since 1973. This including one of the three longest of seven economic expansions since World War II. The study is flawed, in a sense, in that paper products like tissues, and plastic wrap and household cleaning items were folded into the supermarket-oriented calculation, but these latter items are inherently faster-growing than food.

This hardly means that people are giving up eating. But the population's growth rate has slowed, the inexorable shift toward eating away from home as women fill the work force continues, there are the constant pressures of chronic inflation to consider—and the fact that only in 1978 did household incomes regain the heights of the 1973 peak when measured in constant dollars has taken its toll as well.

It's true, as food company executives love to point out, that people have to eat, but *eat what*?

The consumer's sensitivity to inflation will be particularly important this year. Food is something he buys almost every day, so he is supremely aware of its rising cost, and food prices, especially meat, are headed further up. It's the start of a new beef cycle, the point where supply is lower and demand high. But it's a peculiar cycle: As the price rises, beef supply perversely *shrinks* at first—cattlemen hold back breeding cows from slaughter to build up their herds. It takes a couple of years for the coming abundance of calves to mature to market weight. So domestic beef production will shrink 5% or more this year while prices continue to zoom. At the same time, pork production will expand only slightly. Pig farming has become more complex than throwing slops to the hogs; there are now economies of scale that require sophisticated facilities that in turn require sizable capital investment, and pig breeders have been unwilling to commit themselves to costly expansion plans.

None of this spells particularly good news for either consumers, food packag-

Food & Drink:
Yardsticks of Management Performance

company	Profitability: Return on Equity 5-year average	5-year rank	latest 12 months	debt/ equity ratio	Return on Total Capital: latest 12 months	5-year rank	5-year average	net profit margin	Growth: Sales 5-year average	5-year rank	Earnings Per Share 5-year average	5-year rank
DIVERSIFIED FOODS												
CPC International	18.0%	1	17.5%	0.2	14.2%	3	14.3%	4.5%	13.2%	8	13.5%	8
General Mills	17.9	2	18.3	0.3	14.2	6	12.9	4.1	17.4	2	16.1	5
Dean Foods	17.8	3	19.1	0.3	14.9	5	13.3	2.0	11.8	11	26.4	2
Ralston Purina	17.7	4	17.8	0.5	12.5	7	12.2	3.8	14.2	6	14.4	7
Beatrice Foods	17.3	5	17.0	0.2	14.6	2	14.9	3.5	17.6	1	11.1	11
Federal Co	17.2	6	21.2	0.2	18.5	1	15.1	3.8	16.6	3	27.5	1
Standard Brands	16.0	7	14.8	0.4	10.1	12	10.8	3.1	12.0	10	9.4	14
Pillsbury	15.7	8	17.1	0.6	11.4	11	10.8	4.2	14.6	5	14.8	6
General Foods	15.7	9	16.7	0.2	13.4	9	12.2	3.5	13.7	7	8.6	15
Campbell Soup	14.9	10	15.2	0.1	13.9	4	13.9	6.1	10.2	19	9.7	13
Kraft	14.7	11	15.8	0.3	12.4	7	12.2	3.1	10.7	14	9.8	12
H J Heinz	14.6	12	15.2	0.2	11.8	10	11.3	4.6	12.6	9	16.6	4
Castle & Cooke	14.2	13	13.7	0.7	9.4	14	10.1	4.1	11.6	12	17.8	3
Norton Simon	14.1	14	14.6	0.5	10.4	16	9.6	4.7	10.4	17	8.2	16
Intl Multifoods	14.0	15	13.2	0.4	10.1	13	10.3	2.5	10.3	18	13.0	10
Borden	12.3	16	12.8	0.3	9.8	17	9.5	3.6	10.6	15	13.4	9
Consolidated Foods	11.9	17	15.0	0.3	11.8	15	9.6	2.7	11.1	13	0.9	19
Kane-Miller	8.8	18	1.8	0.9	3.1	18	7.1	0.1	16.4	4	7.0	17
Fairmont Foods	8.6	19	6.9	0.5	5.7	19	6.6	0.9	7.3	21	2.3	18
Ward Foods	5.5	20	22.8	5.2	6.6	21	1.8	0.8	–0.7	22	D–D	22
Di Giorgio	4.8	21	10.8	0.7	7.4	20	4.3	1.0	10.5	16	–11.6	20
United Brands	def	22	3.3	0.7	3.3	22	1.7	0.5	8.4	20	P–D	21
Medians	**14.7**		**15.2**	**0.4**	**11.6**		**10.8**	**3.5**	**11.7**		**10.5**	
MEATPACKERS												
Iowa Beef Processors	24.0%	1	19.8%	0.3	15.8%	2	16.3%	1.4%	14.5%	2	33.5%	1
Idle Wild Foods	21.1	2	26.8	0.2	21.6	1	17.0	1.6	13.1	5	29.2	2
Oscar Mayer	16.0	3	10.8	0.1	9.2	3	13.0	2.0	10.4	6	12.0	5
Bluebird	14.8	4	16.8	0.5	12.7	5	10.8	1.4	14.0	3	15.9	3
George A Hormel	13.7	5	13.1	0.2	11.6	4	12.8	1.6	8.7	10	11.2	6
Frederick & Herrud	13.2	6	6.7	0.7	5.3	6	9.9	0.3	28.1	1	1.6	8
Esmark	12.6	7	9.9	0.6	6.8	8	9.1	1.3	9.1	8	14.9	4
MBPXL	12.6	8	14.8	0.6	10.4	7	9.7	0.7	13.1	4	8.7	7
Greyhound	11.2	9	8.6	0.5	7.0	9	8.3	1.4	8.9	9	0.7	9
Monfort of Colorado	4.3	10	4.4	0.4	4.2	10	4.0	0.4	10.1	7	–12.1	10
General Host	2.6	11	0.7	2.7	3.7	11	3.0	0.0	5.6‡	11	P–D	11
Amer Beef Packers	def	12	def	NE	def	12	def	def	–0.7	13	P–D	11
Rath Packing	def	13	def	2.0	def	13	def	def	5.0	12	P–D	11
Medians	**12.6**		**9.9**	**0.5**	**7.0**		**9.7**	**1.3**	**10.1**		**8.7**	
AGRICUL COMMOD												
Pioneer Hi-Bred Intl	26.3%	1	18.1%	0.0	16.9%	1	25.4%	9.6%	22.2%	4	31.2%	1
Hunt Intl Resources	20.5	2	def	0.7	def	13	6.1	def	12.2	12	2.9	12
A E Staley Mfg	19.3	3	6.6	0.5	5.4	3	14.5	1.3	21.2	5	30.7	2
Archer Daniels Midland	19.2	4	11.9	0.2	9.6	4	14.5	2.8	24.1	2	29.4	3
DEKALB AgResearch	18.7	5	13.9	0.2	11.1	2	15.2	7.4	24.1	1	19.9	5
Peavey	15.5	6	11.4	0.5	8.6	5	12.4	2.7	13.3	11	24.1	4
Savannah Foods	15.5	7	9.5	0.5	7.4	9	9.5	1.8	13.5	10	1.5	13
ConAgra	15.3	8	25.3	0.5	16.6	10	9.0	3.1	14.4	8	7.4	10
Central Soya	12.8	9	12.6	0.4	9.7	8	9.8	1.4	18.4	6	6.9	11
Dibrell Brothers	12.6	10	12.9	0.2	10.7	6	10.7	1.3	13.9	9	17.4	7
Seaboard Allied Milling	12.2	11	21.7	0.4	15.1	11	8.9	2.5	17.9	7	13.9	9
Anderson, Clayton	12.0	12	11.0	0.1	10.4	7	10.4	4.6	6.9	13	19.3	6
Kay	11.5	13	26.5	0.5	13.3	12	7.4	1.3	23.2	3	16.2	8
Norin	6.8†	14	8.7	0.7	8.5	14	5.8††	1.0	2.5‡‡	14	–12.7‡‡	14
Medians	**15.4**		**12.3**	**0.5**	**10.1**		**10.1**	**2.2**	**16.2**		**16.8**	

Note: Explanation of Yardstick calculations on page 40. †Four-year average. ††Three-year average. ‡Four-year growth. ‡‡Three-year growth. P–D Profit to deficit. D–D Deficit to deficit. D–P Deficit to profit; not ranked. def Deficit. **Not available; not ranked. NE Negative equity.

Business films. When your demonstration won't fit on a desk top.

How can you give a hardworking demonstration when your product is too big to carry through the office door, or too expensive to cart from prospect to prospect?

The answer is a business film—a portable medium that pays off in drama, impact and interest.

Send the coupon for proof.

Business films make business sense.

Kodak

Send me your 20-page booklet with important ideas on how film can help increase sales. Also send case histories of organizations benefiting from cost-effective uses of film.

Name _____

Title _____

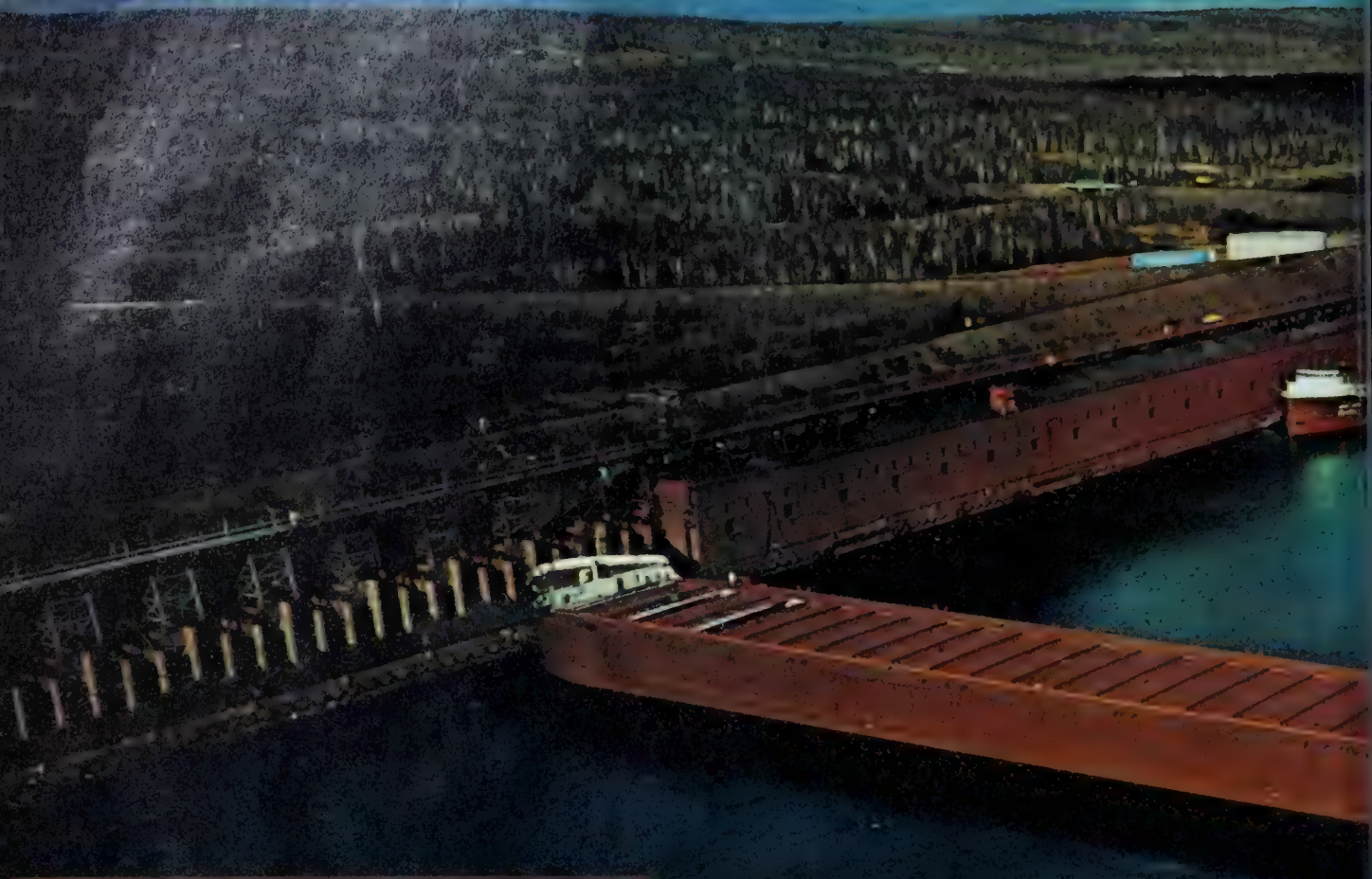
Organization _____

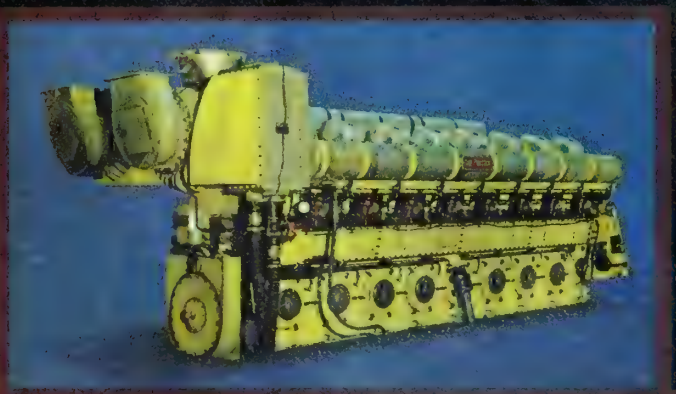
Address _____

City _____ State _____ Zip _____

Eastman Kodak Company, Dept. A1088
Rochester, New York 14650

How this Great Lakes Goliath gets all of its drive from an industrial products company like Colt Industries.





The *M/V James R. Barker*, fleet flagship of the Pickands Mather subsidiary of Moore McCormack Resources, is longer than three football fields and can carry 59,000 long tons of iron ore pellets. Driven by two 16-cylinder Colt-Pielstick diesels from our Fairbanks Morse Engine Division, this Great Lakes bulk freighter cruises at 15 mph. Our diesels also provide power in electric generating plants, in nuclear submarines, and on offshore drilling rigs. Along with such other well-known Colt Industries products as Crucible specialty steels, Garlock industrial seals and components, Menasco landing gear, and Holley carburetors, Fairbanks Morse diesels help make us a leading supplier to the industrial sector of the U.S. economy. For our latest financial reports, write Colt Industries Inc, Dept. C. 430 Park Ave., New York, N.Y. 10022.

Crucible specialty steels ☐ Trent welded stainless steel pipe and tubing • Crucible permanent magnets and coil springs • Fairbanks Morse diesel engines • Fairbanks scales • Pratt & Whitney and Elox production equipment Quincy compressors • Central Moloney transformers ☐ Chandler Evans fuel controls • Fairbanks Morse pumps • Holley carburetors ☐ Garlock industrial seals ☐ Menasco shock mitigation systems ☐ Colt firearms

Colt Industries

We help process one-fourth of all the oil and gas the world uses every day.

And that's being accomplished by just one member of Combustion Engineering: C-E Natco.

C-E Natco helps de-salt, de-foam, de-water and do other processing needed to prepare oil and gas for the pipeline.

And, besides processing it, we also help drill for it, extract it, pump it, clean it, deliver it and refine it.

Gray Tool Company, a new member of the C-E family, pioneered the first wellhead assembly able to operate at pressures of 30,000 pounds per square inch—extending the search for oil and gas into earth layers too difficult to control before.

C-E Crest has designed systems that produce 10-million barrels of oil a day.

C-E Lummus engineered over 30% of Europe's refining capacity. And is responsible for the design and construction of deck facilities for off-shore platforms in the North Sea that can withstand 130-mph winds and 100-foot-high waves.

We do more than help process oil and gas.

For over 60 years, we've been supplying equipment, technology and research to help produce energy, conserve it, squeeze more use out of it, even convert it to new forms.

For more information about our activities around the world, write Combustion Engineering, Inc., Dept. 7008-33, 901 Long Ridge Road, Stamford, Connecticut 06902.

COMBUSTION ENGINEERING

The Energy Systems Company

s or meat packers. (Meat packers typi-lly operate on razor-thin margins and ake their money on greater volume, t price per se.) Nor for some restau-nts—steak house chains like Pills-ry's Steak and Ale. On the other hand, th the purely grass-fed cattle raised for mburger meat in especially short sup-, the government may relax import strictions on hamburger-grade meat. iat could ease the pain for some of the st-food chains—Pillsbury's Burger ng, for instance.

Meanwhile, one would expect non-eat commodity prices to be flat or low-this year, since virtually the entire untry and for that matter much of the rld enjoyed record or near-record har-sts last year, and grain and soybean cks are becoming massive.

The consumer's sensitivity to inflation will be particularly important this year. Food is something he buys almost every day, so he is supremely aware of its rising cost.

Unfortunately, farmers are still a much-feared voting bloc around Washington. "If the government was really concerned about inflation," complains William Knobler, senior analyst at Oppenheimer & Co., "you'd expect flattish prices. But look: The target price for wheat is going up from $3 to $3.40 a bushel, there's still a 20% set-aside [of farmers' acreage] in wheat—we had that great wheat crop last year in spite of it—10% set-asides in feed grains and now they're talking about establishing set-asides for corn, too. And the raw sugar price has already gone from 10 cents to 15 cents over 1½ years by administrative fiat."

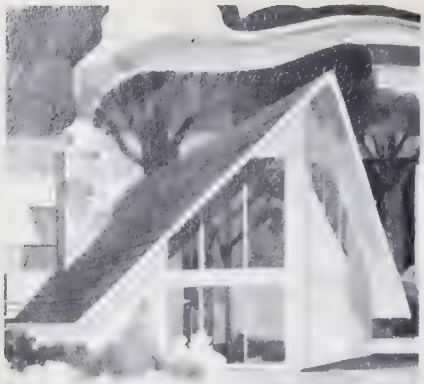
Moreover, in an inflationary economy, all the transport, labor, packaging, advertising and other "value-added" costs between farm and consumer will be going up, too. Oh well, at least a flush farm belt should give the agricultural commodities companies—seed-producers like Pioneer Hi-Bred and DEKALB AgResearch, or outfits like Central Soya, the giant feed manufacturer and soybean processor—a good market in which to operate.

With the election behind, look for a higher price for sugar next year, if the

Food & Drink:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
OTHER FOOD SPEC												
Kellogg	27.6%	1	26.2%	0.1	21.8%	1	23.6%	8.7%	15.1%	4	15.5%	4
Flowers Industries	21.4	2	20.0	0.5	12.2	7	12.2	3.4	24.4	1	19.1	1
Hershey Foods	17.7	3	16.3	0.1	13.9	3	14.6	5.7	9.7	13	15.5	6
Campbell Taggart	17.5	4	17.9	0.3	12.5	6	13.4	3.3	15.0	5	15.5	5
Wm Wrigley Jr	17.4	5	16.9	0.0	16.2	2	16.7	7.3	13.2	9	9.7	9
Carnation	17.3	6	16.4	0.3	13.3	5	13.9	4.6	13.2	8	13.7	8
Nabisco	16.7	7	19.8	0.4	13.8	9	11.2	4.5	13.4	7	8.2	12
Amstar	16.7	8	5.2	0.2	4.2	11	10.5	1.4	13.4	6	15.8	3
Del Monte	15.7	9	13.0	0.6	9.4	10	10.7	3.2	12.1	10	16.5	2
Gerber Products	15.5	10	15.7	0.1	13.9	4	13.9	5.6	8.8	14	7.4	13
McCormick & Co	15.5	10	12.9	0.5	9.8	8	12.2	3.6	16.4	2	15.2	7
Quaker Oats	13.9	12	16.4	0.3	11.6	12	10.0	4.4	15.5	3	9.0	11
American Bakeries	9.8	13	10.3	0.7	6.5	13	7.0	1.0	6.6	15	D–P	
Green Giant	8.6	14	9.7	0.6	7.0	15	6.4	2.2	11.9	11	3.9	14
Stokely-Van Camp	8.2	15	8.5	0.4	6.7	14	6.7	2.1	10.0	12	9.1	10
DPF	**		22.0	3.2	8.2		**	1.8	**		**	
Medians	**16.7**		**16.4**	**0.4**	**11.9**		**12.2**	**3.5**	**13.2**		**14.5**	
DRINKS												
Coca-Cola	23.3%	1	23.6%	0.0	22.2%	1	22.1%	8.8%	13.1%	7	10.4%	4
PepsiCo	20.1	2	21.1	0.4	15.9	3	14.3	5.3	18.2	2	14.2	3
Heublein	18.2	3	14.8	0.5	11.0	5	12.9	3.6	15.9	3	14.8	2
Royal Crown Cos	17.5	4	12.5	0.3	9.7	2	16.1	3.3	15.8	4	9.4	6
Adolph Coors	14.1	5	9.7	0.0	9.1	4	13.9†	8.9	13.2	6	10.0	5
National Distillers	14.0	6	11.8	0.3	9.4	6	10.3	5.0	6.2	11	21.1	1
Anheuser-Busch	13.8	7	16.0	0.4	10.3	8	9.7	5.1	13.8	5	4.6	8
Hiram Walker	11.2	8	12.2	0.1	10.2	7	10.0	7.3	4.0	12	2.9	9
Jos Schlitz Brewing	10.0	9	2.3	0.4	2.5	10	7.6	0.9	11.0	8	–2.8	13
Seagram	9.1	10	8.8	0.4	6.9	11	7.3	4.0	6.3	10	6.4	7
Pabst Brewing	8.9	11	4.3	0.1	3.8	9	8.0	1.6	11.0	9	–0.6	11
Liggett Group	8.5	12	14.3	0.5	10.5	12	7.2	5.4	3.8	13	–0.4	10
Olympia Brewing	7.5	13	9.4	0.2	7.8	13	6.7	1.7	18.6	1	–2.5	12
Medians	**13.8**		**12.2**	**0.3**	**9.7**		**10.0**	**5.0**	**13.1**		**6.4**	
Industry Medians	**14.6**		**13.8**	**0.4**	**10.3**		**10.5**	**3.0**	**13.1**		**10.2**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. †Four-year average. ††Three-year average. ‡Four-year growth. ‡‡Three-year growth. P–D Profit to deficit. D–D Deficit to deficit. D–P Deficit to profit; not ranked. def Deficit. **Not available; not ranked. NE Negative equity.



SOME GREAT-ESCAPE LOCATIONS FOR PEOPLE...

ARE GREAT FOR INDUSTRY TOO!

A lot of what people want to escape to—like cleaner, less hectic, quieter living—is available in communities of 5,000 to 100,000 that are seeking new industry. We know of many with the resources and facilities that are important in relocating industry. We'd like to tell you about them.

FOR INFORMATION about the easy-living small and medium size towns on our line, please write us on your letterhead, in complete confidence and without obligation, stating as much as possible your specific needs.

N. A. KIRCHOFF,
Vice President - Industrial Development, St. Louis-San Francisco Railway Co., 923H Frisco Bldg., St. Louis, Mo. 63101, or call (314) 241-7800

74039A

FRISCO

St. Louis-San Francisco Railway Co.

Frisco Territory includes: Alabama, Arkansas, Florida, Kansas, Mississippi, Missouri, Oklahoma, Tennessee, and Texas.

sugarmakers are unlucky enough to get what they want. Low sugar prices are in large part what has kept the profits out of the HFCS—that's high fructose corn sweeteners—business. The newer formulas are finding increasing use as a substitute for sugar, invading even, or rather especially, the huge and vital soft-drink market. The long-range promise of HFCS has drawn in major competitors: Standard Brands, A.E. Staley Mfg., Archer-Daniels-Midland, CPC International, plus some others. The growth is huge—25% a year—and the stakes enormous, but the profits so far have been marginal or nil because of sugar prices and the rush into production which has been increasing supply 30% a year. Everybody already in is gritting his teeth and hanging on. (Standard Brands has had to grit the most according to Maguire's figures. He reports its exposure in HFCS is greatest of the majors and, so far at least, the costliest to earnings.) But the last wave of HFCS plants (they take about two years to plan and build) is mostly going into place this year, and the low profitability seems to be discouraging to further adventures in expansion just now. Too much of a rise in the price of sugar, unfortunately, could pump some promise of profits into the HFCS industry just when it would do the sugar people the least long-run good.

There are other questions besides inflation on the food industry's mind; for instance, the progress of the saccharin debate. At the moment, the stuff is theoretically banned as possibly carcinogenic by the Food & Drug Administration, except that the ban is under a congressional moratorium expiring in May. Opposing the original Canadian studies and a National Academy of Sciences' review putting saccharin under a cloud is a contrary study, under the auspices of Johns Hopkins, no less, absolving it. Watch for some excitement in May.

All the major food and soft-drink companies share another predicament: What to do with a mature domestic market? The two main answers are the same in both categories: You diversify, or expand overseas, or both. In soft drinks, PepsiCo is the diversifier, Coca-Cola Co. increasingly the traveler abroad. Among the food companies, both trends are long established, and still continuing. Carnation got 18% of its 1977 income from abroad, and Heinz, 22%. FASB-8, therefore, has reared its head; both of these companies, and others with heavy overseas positions, reported boosts in foreign earnings last year because of the dollar's relative weakness.

Among liquor and beer stocks, the winners and losers under previous trends look like they will continue, respectively, winning and losing. Anheuser-Busch and Philip Morris' Miller continue to fight it out for beer dominance at the expense of Schlitz, Coors, Olymp Pabst and so forth. When it comes to hard stuff, the consumer, whatever feelings about inflation, still seems w ing to pony up for special name bra with cachet and for light liquors. S gram, the largest distiller, has long b suffering from the shift away from dark whiskies, but may feel some ben from its light liquor and rum lines fo change; and Liggett Group, which of J&B Scotch, Campari and Metaxa liqu and Wild Turkey bourbon (much pri among bourbon aficionados), also see well placed.

Among food stocks that stand to be fit from this year's trends, General Fo seems to be one that especially deser notice. This is another company t Maguire singles out as still defensi

98 cents at retail in New York
Will a 53-cent can do, instead?

While it is heavily into packaged foo much of its product line leans tow what people regard as cheap staples near-staples—Jell-O, cereals, Tang a for a little frivolity, Kool-Aid. And increasingly normal coffee busin where there's mostly just competitio worry about, is a welcome trend ind to a company that gets 40% of sales fr that staple beverage.

Another stock that bears watchin for good or ill, but certainly not for defensiveness—is United Brands. At porate death's door a few years ago, it been struggling back. Earnings have s back up to something resembling spectable levels, and the company paid off its preferred arrearages and clared a common dividend. Perh more significant still, there's little dr beating for the stock going on just n The Milstein brothers are still keepin low profile, and it's almost impossibl find an analyst on Wall Street who lows the stock. That's no guarantee convalescence, mind you; neverthel when The Street ignores somethi contrarians should take note. ■

hat's holding up oil price deregulation? Unrtunately, deregulation is as politically unalatable as it is economically necessary.

Energy's clouded future

iller pushes pipe into the good, and formerly bountiful, U.S. earth
e prospect: diminishing returns and regulated prices.

By James Flanigan

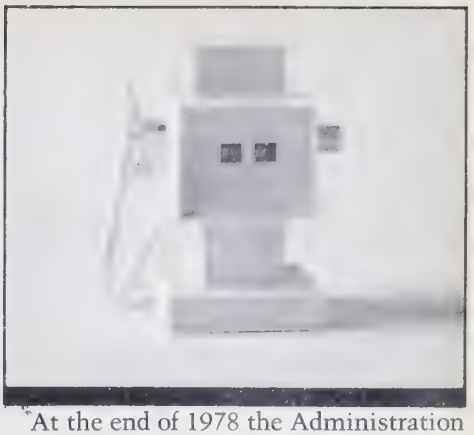
HE AGED but still handsome oilman, one of the industry's great builders, gripped the edge of his k, looked over the rims of his Ben nklin spectacles and said deliberately: the next few years you'll see U.S. oil npanies being acquired for their as-, as pools of natural resources."

n arresting judgment, one the gentlen doesn't wish to be quoted on bese he says "it might influence peo-" Just when some expect and others that oil company cash flows will buy their businesses, here is a retired intry giant looking at things from the osite direction: the oil companies mselves as merchandise for buyers erested in natural resources. Japanese ers, perhaps, or German.

Oil companies, even the biggest and t of them, can be bought in the stock rket today for some 50% or less of r asset value, according to estimates he John S. Herold Co., Inc. consulting n. There are persuasive arguments t this reflects not market madness but the market's reading of future earnings prospects for the oil companies as they struggle to maintain output and their returns on investment in an age of government regulation of oil prices.

It is this regulation as much as anything else that explains why oil company assets sell at such a discount. Which is why the great and probably acrimonious energy debate of 1979 will be over the deregulation of crude oil prices. Mandatory controls expire May 31, but President Carter has the option to extend them until Sept. 30, 1981. Pre-1973 oil is priced now at $5.65 a barrel, post-1973 at $12.61. Meanwhile the world oil price, following OPEC's latest action, is close to $14 a barrel.

Carter promised dollar-holding foreigners last year that he would get the U.S. price up to the world price in an attempt to cut consumption and imports. He failed to do that last year with his proposal to tax away the difference between the U.S. and world prices. Congress wouldn't buy it. How deregulation will or won't occur will be the main industry-government argument this year.



At the end of 1978 the Administration seemed most concerned to raise the old oil price, either by straightforwardly setting it at $6 or $7 a barrel or by enlarging the definition of a stripper well so as to entitle more old production to the world oil price. The idea basically is to give the industry incentive to spend money on more water flooding and other production-enhancing techniques on the old, playing-out wells.

But as for new oil, the Administration's thinking—insofar as it was revealed in statements by James Schlesinger and John O'Leary of the Department of Energy—was that the current price seemed incentive enough to get the industry to invest in exploration and production of oil in the U.S.

It is this kind of government attitude—saying really that government will decide what is a proper rate of return—that drives the industry nuts. It misses the whole point of investment economics which looks to future values of the products invested in, especially in the case of oil, as those values will be affected by scarcity.

The oil industry today is seeking to make a 15% discounted cash flow rate of return on its investments because that is what it thinks it will need to replace current investments with new ones in an inflationary future. The industry's economists tell it that the replacement cost of a barrel of oil today is around $16. That the U.S. price should be below that, and regulated to boot, means that the industry can hope only for an 11% to 12% rate of return on its current investments—which is about in line with the historic rates of return this industry has made in less inflationary times.

The stock market recognizes this fact, yawns and prices oil companies where they are today. The industry had been exciting when there were prospects for dramatic changes of fortune—a vast new discovery of oil, a new province of enormous wealth opened up. The market is saying that there is small chance of such bonanzas from the industry's current investments, geared toward stabilizing declining output rates in the U.S.

This stabilization effort is enormously expensive. Far from going on an acquisi-

tion binge with their cash flows, the oil companies are plowing tremendous amounts of money into exploration and production in the U.S. Since 1973, the watershed year of the great oil price rise and embargo, the oil industry has invested an average of $12 billion a year in domestic exploration and production—treble the annual investment level in the six years prior to 1973, according to figures compiled by Chase Manhattan Bank's energy economics division.

But the impact of inflation in the industry has been horrendous. The Commerce Department's Bureau of Economic Analysis uses a special oil industry price deflator because the GNP deflator—which measures overall inflation—doesn't come close. The $12 billion-a-year average in domestic exploration and production becomes $8 billion in real terms. This year the industry will pour some $16 billion into such investment and yet achieve an under-$1 billion gain over the 1972 level of $5.7 billion.

Intense drilling activity has spurred demand at almost any price for oil-field equipment and services; drilling costs escalate geometrically as wells go deeper than historic levels of 6,000 feet. But the payoff to date is unimpressive. Most of that money has gone into projects in the lower 48 states, yet production there continues to decline. While Alaska's new supplies have halted the slide in U.S. oil production overall, the decline in the lower 48 has been merely slowed from a 5% annual rate five years ago to 3.1% last year.

Alaska has increased the domestic production of Atlantic Richfield, Exxon and Sohio, as well as—to a lesser extent—Phillips and Mobil. Other major companies, such as Shell, Gulf, Standard of Indiana and Standard Oil of California, hope to stabilize their declining production this year or next.

Those companies, with the aid of recent breakthroughs in geophysical technology, are finding oil in the Overthrust Belt of the Rocky Mountains in Wyoming, Montana and Utah or in the Williston Basin of North Dakota. Exploration is intense, too, in older regions, such as the Tuscaloosa Trend in Louisiana and in the Gulf of Mexico. The new techniques have brought the success ratio down to one discovery in three attempts from the historic one-in-eight or more. As a corollary, though, it is a new and historically expensive kind of domestic exploration. Wells must be drilled deeper, necessitating costlier equipment used over a longer time; complex geological formations that defeated past generations of oil explorers yield to new instruments, but at a cost. For those who produce drilling equipment and services—the Schlumbergers, Halliburtons and Dressers as well as the rig builders and contractors—this is good news. It is bad news for oil company shareholders.

It makes for heavy exploration charges, which are expensed and therefore depress current earnings in a period of active exploration. But more important, such charges place a heavy front-end load on the investment that must be paid back out of ultimate production four or five years down the road. If the government maintains a tight, restrictive regulatory attitude toward crude oil prices, the oil companies that are pouring so much money into domestic exploration today would begin to show a pattern of drab reported earnings but luridly burgeoning cash flows from depreciation and depletion. In a sense the oil companies would be going underground. Paine Webber Mitchell Hutchins oil analyst Bruce Lazier notes how the compan are "burying" past earnings back in n exploration.

To prevent this from developing, t oil companies will be fighting hamm and tongs for crude deregulation t year. Late last fall, industry optimi that something intelligent might be do on oil prices, after all, was tempered recognition that deregulation would r be politically popular this year—not i mediately helpful on inflation.

Twenty years ago, when domestic prices were unfavorable, the indus

If the government maintains tight, restrictive regulatory a titude toward crude oil price the oil companies that are pou ing money into domestic expl ration today would begin show a pattern of drab report earnings but lurid cash flows

took its exploration money overse There are fewer opportunities to do t today following the era of nationali tions. Even in the abundant North S the British government is talking higher taxes on future discoveries.

Alaska, the only hope of signific new supplies of oil in the U.S.—site the largest U.S. oil find ever, the No Slope—lies at present under the great cloud of government reluctance and vironmentalist pressure. In the lower the situation is this: "If you bought le acreage years ago and you've got the p ple with a good history of finding oil, i better than selling bras and panties." says Geoffrey Hertel, the first-rate analyst of Houston's Rotan Mosle.

But if you don't have the acreage,

Energy:
Yardsticks of Management Performance

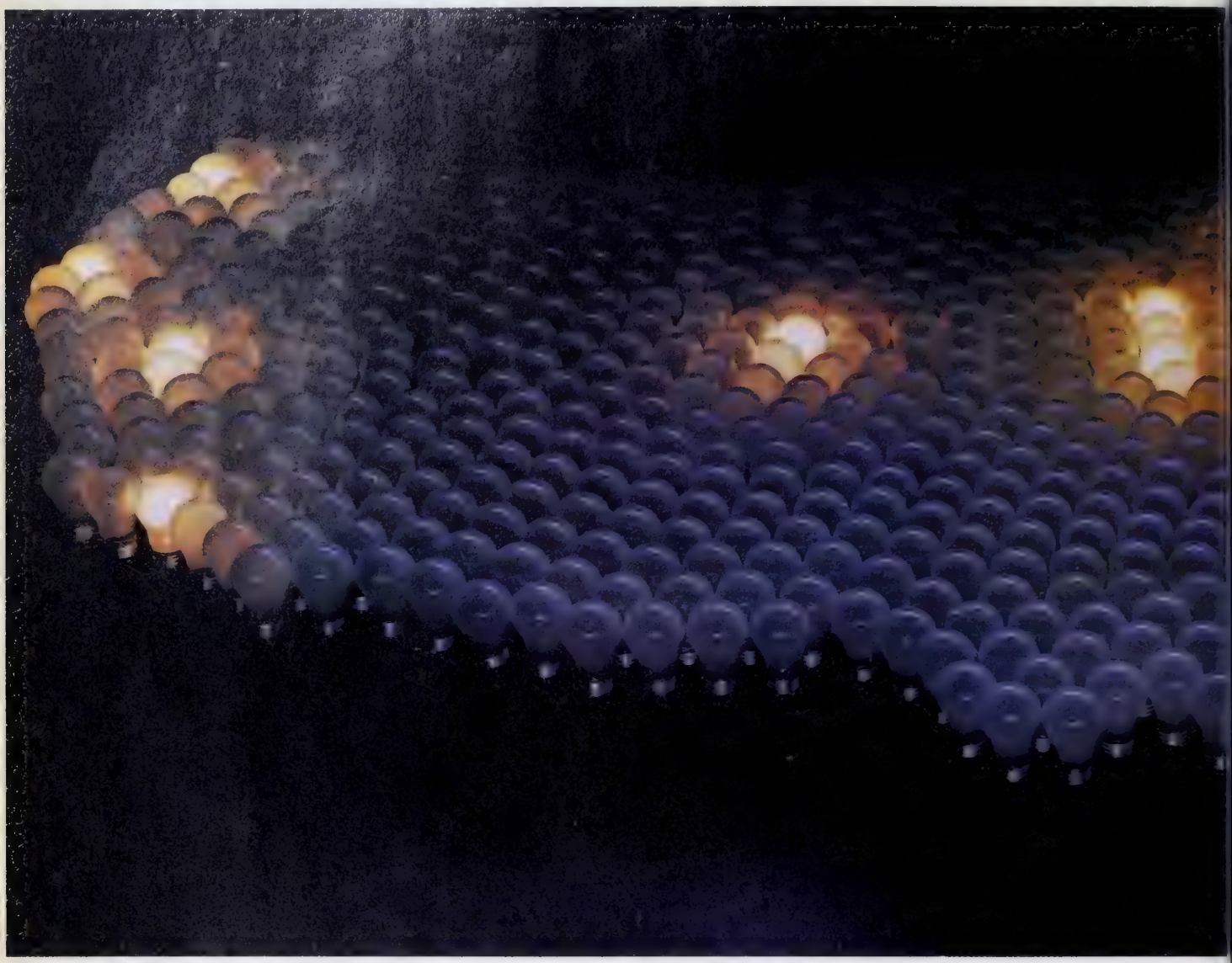
	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
INTERNATIONAL OILS												
Occidental Petroleum	19.0%	1	2.2%	0.4	3.8%	7	9.7%	1.0%	16.5%	8	20.5%	2
Phillips Petroleum	17.8	2	18.1	0.3	13.4	1	13.4	8.2	18.5	7	23.9	1
Continental Oil	16.7	3	13.3	0.4	9.6	3	12.3	4.1	19.6	5	17.2	3
Exxon	16.1	4	12.8	0.2	10.0	2	12.9	4.1	20.2	4	10.2	6
Mobil	14.1	5	13.3	0.3	9.9	5	11.3	3.1	24.1	3	10.7	4
Standard Oil Calif	14.0	6	13.4	0.2	11.0	4	11.9	4.4	27.5	1	10.6	5
Gulf Oil	12.7	7	9.7	0.2	8.4	6	10.8	3.7	19.5	6	9.3	7
Texaco	11.5	8	8.1	0.2	6.4	8	8.9	2.8	26.6	2	1.3	8
Medians	**15.1**		**13.1**	**0.3**	**9.8**		**11.6**	**3.9**	**19.9**		**10.7**	

Now it's all-wheel drive for our two newest motor graders. It's a first for the industry, as we have retained all other front wheel functions — and have used an electronic black box to ration out hydrostatic front wheel power as conditions require. It's the sort of advance users might expect from the company that developed the first all-hydraulic frame-steered graders in 1967. Your inquiries are welcome. John Deere, Moline, Illinois 61265.

JOHN DEERE on the move

JOHN DEERE

70 BRIGHT SPOTS IN



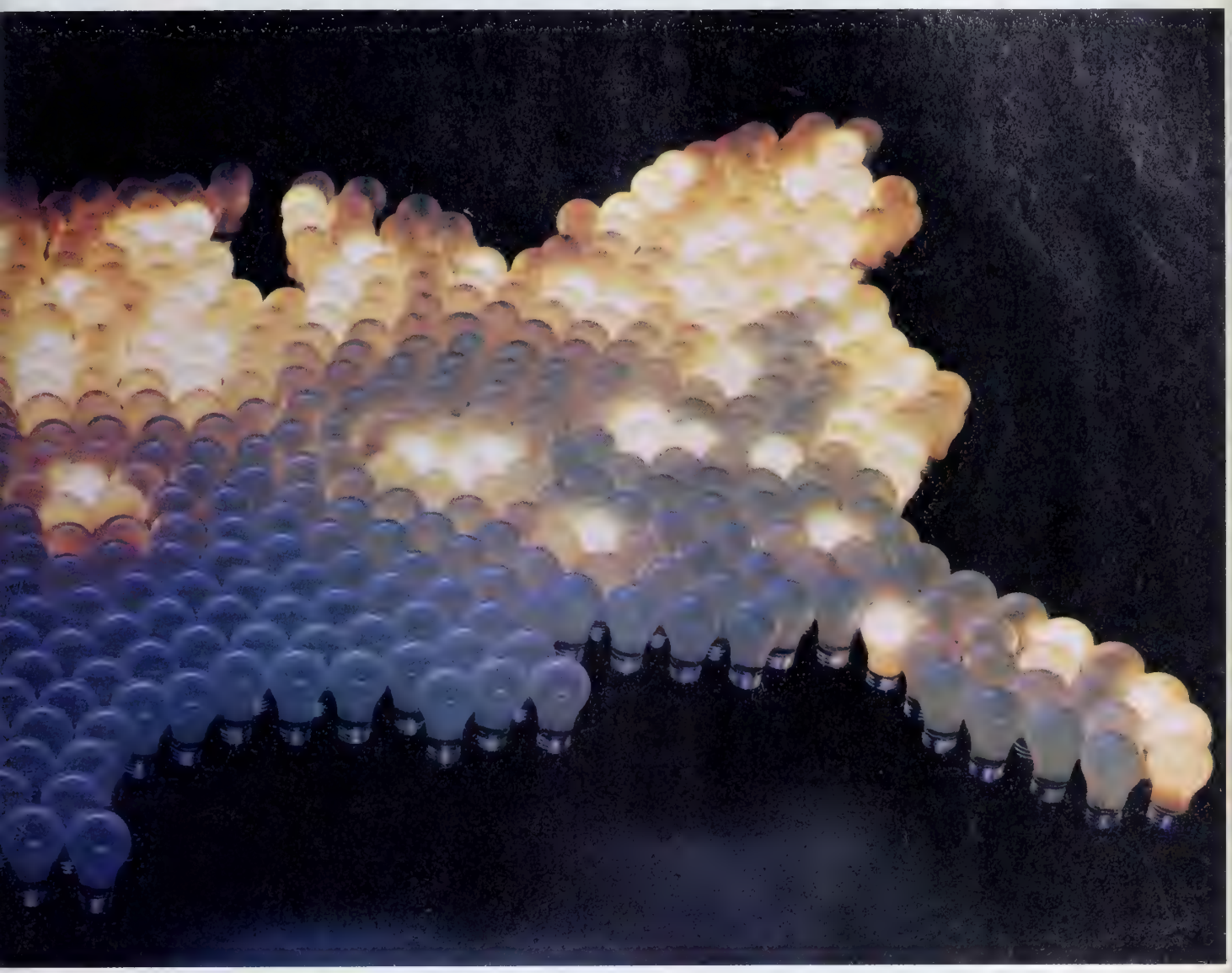
Through every energy shortage nuclear plants have kept the electricity flowing.

Since 1973, America has faced one energy problem after another. An oil embargo. A natural gas shortage. Rising oil costs. And a coal strike.

Yet, time after time, one energy source has been there when America needed it. 70 conventional nuclear power plants supply America with millions of kilowatt hours of electricity every day.

Last year, they supplied 250 billion kilowatt hours of electricity... enough to

AMERICA'S ENERGY PICTURE.



educe our dependency on oil imports by as much as 12%.

America needs a balanced energy policy. One that's built on nuclear ower and coal as well as other sources of energy.

If you agree, write your Congressman. It's one way we can all help make merica's energy picture even brighter.

Westinghouse

A POWERFUL PART OF YOUR LIFE

From conserving energy to renewing resources... Union Camp is part of your life.

We all hold the future in our hands. At Union Camp that awareness has spurred our efforts toward increased energy self-sufficiency and perpetual renewal of our forest resources.

Today, we're meeting more than half our energy requirements by using by-products to produce steam and electricity. In just over five years, increased energy efficiency and greater use of by-product fuel has reduced our fossil fuel consumption over 28% per ton of paper produced.

What's more, unlike fossil fuels, the by-product fuel Union Camp uses comes from trees—a renewable resource. For every tree harvested, we plant three more. Last year alone, we planted more than 30 million seedlings and each year we get more wood fiber from the same amount of land.

Conserving energy and replenishing forests helps make the future look a whole lot better for everyone. That's the way we want to grow!

Union Camp

Union Camp Corporation, 1600 Valley Road, Wayne, New Jersey 07470

Growing in more ways than one.

PAPER · PACKAGING · CHEMICALS · BUILDING PRODUCTS · LAND DEVELOPMENT · RETAILING

t really afford to gear up the expen- effort needed in exploration, you're r to sell out. Which is what Orin ns, chairman of Ashland Oil, is do- -selling, that is, Ashland's relatively l $200 million (sales) exploration production division. Ashland will entrate on its main, $3.3 billion s) business: refining. "It's recession- f," says Atkins, because "there's more demand than there is capacity in the market."

Atkins is stating bluntly the truth that other companies are realizing. Their refineries are running typically at 80% to 90% of capacity, but demand for their products has caught up with supply. The U.S. industry is partially shielded from huge refining surpluses in Europe by the U.S. government's entitlements program. New refineries are not being built in the U.S.; expansion of existing refineries is modest. Mostly it is a case of modification to turn out more unleaded gasoline or to handle high-sulfur crude oil. The result is that refining could be a good business in the U.S. But product prices, too, remain regulated and this catches refiners who must buy foreign crude in a squeeze. The government will address

Energy:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
OTHER OIL & GAS												
Earth Resources	33.3%	1	18.0%	0.5	12.2%	2	22.4%	2.9%	35.2%	8	61.9%	1
MAPCO	32.2	2	22.7	0.8	11.8	5	15.8	10.2	33.3	10	33.8	4
Louisiana Land	28.6	3	20.3	0.2	16.0	3	22.2	19.5	22.2	23	10.2	27
Texas Oil & Gas	27.8	4	27.6	0.7	15.2	8	15.6	11.1	56.2	3	36.6	3
Sigmor	26.9	5	14.0	0.6	9.3	1	22.7	2.1	38.2	7	24.7	9
Natomas	24.6	6	19.6	0.3	15.0	4	16.4	14.3	47.7	4	59.2	2
Petrolane	24.3	7	21.7	0.5	15.6	5	15.8	5.0	22.9	20	20.9	13
Tosco	23.7	8	35.6	2.6	8.1	32	8.3	1.2	60.6	2	28.4	6
Belco Petroleum	22.5	9	22.9	0.2	17.6	7	15.7	13.0	25.6	15	31.6	5
Ashland Oil	22.4	10	28.5	0.6	15.0	13	12.6	4.5	19.4	30	21.4	11
Pennzoil	20.9†	11	15.6	0.9	7.4	29	9.1†	8.0	21.9	24	22.1	10
Charter Company	18.5	12	13.3	1.0	6.7	25	9.7	1.1	31.5	11	9.6	29
Standard Oil Ind	17.3	13	15.4	0.3	11.4	9	13.4	6.6	20.0	29	19.3	17
Sun Company	17.0	14	14.3	0.2	9.9	20	10.7	5.0	22.4	22	17.3	19
Marathon Oil	16.9	15	16.2	0.7	10.2	12	12.7	4.3	23.0	19	14.7	23
Quaker State Oil	16.8	16	12.2	0.4	7.8	16	11.9	4.9	20.8	26	8.7	30
Shell Oil	16.7	17	15.3	0.3	11.8	11	12.8	7.5	18.1	33	18.9	18
Kerr-McGee	16.1	18	10.4	0.3	8.3	10	13.0	5.2	25.8	14	20.1	14
Union Oil California	16.1	18	14.5	0.4	9.9	18	10.8	5.5	19.1	32	14.9	22
Amerada Hess	15.4	20	9.1	0.6	7.0	19	10.8	2.6	25.1	17	5.4	32
Murphy Oil	15.2	21	9.7	0.5	6.6	23	10.1	3.4	24.3	18	19.9	16
Pacific Resources	14.7	22	15.3	1.1	8.9	31	8.7	2.0	61.7	1	12.5	24
Suburban Propane Gas	14.6	23	13.3	0.6	8.3	28	9.2	3.2	22.5	21	10.9	26
American Petrofina	14.5	24	7.1	0.3	6.4	15	12.3	2.4	28.1	12	10.1	28
Atlantic Richfield	14.5	25	15.3	0.5	10.0	22	10.4	6.1	21.0	25	20.0	15
Reserve Oil & Gas	14.3	26	9.7	0.4	7.7	17	11.5	1.2	40.4	6	25.0	8
Getty Oil	14.1	27	11.5	0.1	9.6	14	12.3	8.6	17.4	34	21.2	12
Crown Central Petrol	13.8	28	11.0	0.7	8.0	25	9.7	1.7	25.4	16	25.0	7
United Refining	12.9	29	15.0	0.5	10.1	27	9.4	2.1	34.3	9	7.4	31
Standard Oil Ohio	12.2	30	19.2	2.6	7.3	33	6.4	7.6	19.1	31	17.2	20
Cities Service	11.4	31	10.5	0.4	7.5	30	8.8	4.4	16.1	35	11.6	25
Superior Oil	10.1	32	5.7	0.1	6.5	24	9.8	5.5	20.3	27	15.4	21
Tesoro Petroleum	7.4	33	def	1.2	1.8	21	10.6	0.0	43.0	5	–1.5	33
Clark Oil & Refining	6.3	34	9.6	0.5	7.5	34	4.9	1.2	20.0	28	–12.9	34
Commonwealth Oil	def	35	def	2.1	def	35	def	def	27.1	13	P–D	35
Medians	**16.1**		**14.5**	**0.5**	**8.9**		**10.8**	**4.5**	**24.3**		**18.9**	
COAL												
Westmoreland Coal	31.4%	1	0.7%	0.1	0.6%	1	26.4%	0.4%	20.5%	3	45.1%	1
Pittston	30.3	2	1.2	0.1	1.4	2	22.6	0.6	18.9	4	32.0	2
St Joe Minerals	21.3	3	7.8	0.1	6.4	3	17.1	4.9	30.3	1	14.9	5
Eastern Gas & Fuel	16.5	4	0.7	0.5	1.6	4	8.8	0.4	16.9	5	21.0	4
North American Coal	15.6	5	12.2	3.6	5.4	5	6.6	2.9	24.5	2	24.9	3
Kennecott Copper	3.3	6	0.7	0.4	1.6	6	3.7	0.7	5.0	6	–18.7	6
Medians	**18.9**		**1.0**	**0.3**	**1.6**		**13.0**	**0.7**	**19.7**		**23.0**	
Industry Medians	**16.1**		**13.3**	**0.4**	**8.3**		**11.3**	**4.1**	**22.9**		**17.3**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. †Four-year average. P-D Profit to deficit. def Deficit.

AND A THRIFTY SPECIAL ACCOUNT CAN SAVE YOU UP TO 48.7%. In order to "out-Thrifty" Thrifty, our major competitors would have to give you a discount of up to 48.7%. Maybe more. And our Special Account program gives your company a choice of ways to save. (1) With special low time and mileage rates, gasoline included. (2) With cost-cutting "dry" rates whereby you buy the gasoline and Thrifty throws in the first 100 miles per day.

We'll include $1 million combined single-limit BI/PD insurance in the bargain, plus collision protection with $100 deductible—as opposed to competition's $250 deductible.

We'll give you lots of extra Thrifty service, too. Like confirmed reservations on any size car, courtesy airport pickup and delivery and more.

And we'll provide it at nearly 400 destinations in all 50 States, Canada, Central America and Great Britain.

For details, send the coupon. We'll give it very special attention.

THE OFF-AIRPORT CAR RENTAL CENTERS.

THRIFTY® RENT-A-CAR

Thrifty Rent-A-Car System, Inc., 430 Exchange Center, Box 35250
Broken Arrow Expressway, Tulsa, Oklahoma 74135

Please send me Special Account information my company needs. I understand we are under no obligation by making this request.

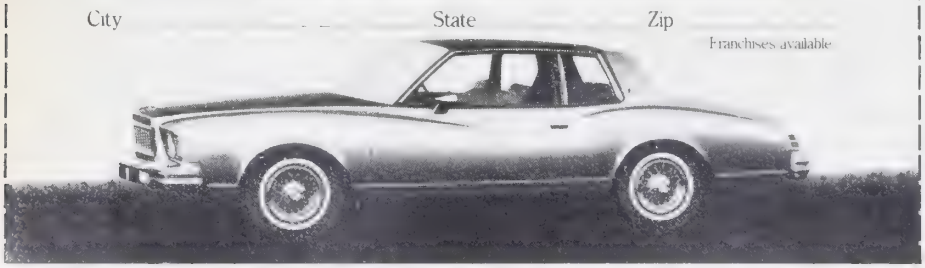
Name _____ Title _____

Name of Business _____

Mailing Address _____

City _____ State _____ Zip _____

Franchises available



deregulation of product prices as w this year.

If the integrated companies, which compass all the big companies, ca maximize their profits in crude oil p duction, they will have to do it in refining and marketing ends of th business. Such a transformation of industry has been talked about ever sin the Arabs took over Middle East oil, taxation and accounting still favor production over refining. Which bri us back to where we started: Deregu tion of crude oil prices is the industr best hope.

The coal industry in the past beca assets-rich but earnings-poor; as a resu much of it was acquired by others, no

While Alaska's supplies ha halted the slide in U.S. oil pr duction overall, the decline the lower 48 has been mere slowed, from 5% five yea ago to 3.1% last year.

bly oil companies. The surviving in pendent coal companies look with rel to the new year following strike-blotch 1978. But federal regulation hangs lik cloud over this industry, ironically in ery way but price. A confusing, confli ing variety of clean air laws, mine saf laws and strip-mining laws affect t markets and economics of coal.

The metallurgical coal market— which Westmoreland, Pittston and Ea ern Gas & Fuel depend importantly— in disarray, but only partly because st operations are slow worldwide. Anoth reason is that U.S. coal can't be cok economically in U.S. furnaces as a res of clean air laws. The coal, therefore, being shipped to Europe, coked there a the upgraded product shipped back to t U.S.—the balance of payments sufferi in the process.

Utility customers for steam coal awaiting clearer signals from the gove ment before placing orders for coal. W they have to pay a premium for lo sulfur coal? Will installation of scrubb allow them to use high-sulfur coal? L year saw a significant order placed by t Tennessee Valley Authority for low-s fur coal from Pittston. Thus the gove ment itself seemed to be saying, Pay t premium for environmental quality. B who knows for sure? The industry a its customers will be watching the g ernment, again, this year.

As indeed will the entire energy indu try, because it is regulated by the gove ment. And that is probably the ba reason a veteran oilman and the sto market have such a dour appraisal of future. Look what regulation did to t railroads. And look at what governme pressures are doing to steel. ■

re things like yoga and jogging, weight atching and meditation bad for business? or some businesses, yes.

Personal products and health care

WHETHER JOGGING is good for you is debatable, but as a symptom of the American people's increased interest in physical fitness it does well for a healthier future. People are exercising more, eating and smoking less and in general striving consciously for a longer and more vigorous life.

But it's an odd wind that doesn't blow nobody bad, and this one is no exception. Women are as concerned as ever about their appearance. But although cosmetics manufacturers are pushing a more glamorous look, much of the market prefers a natural appearance. By and large, those who jog more pop pills less. Prescription drug volume growth has slowed.

"Drug industry prescription unit growth used to be about 8%, year in and year out, in the late Sixties and early Seventies," says John F. Hindelong of Lehman Brothers. "It's been steadily declining since then. In 1977 it actually dropped into negative growth and the rise in 1978 is due to the significant increase in upper respiratory infections." New products if successful, of course, will can buck the trend. SmithKline's new anti-ulcer drug, Tagamet, clearly demonstrates that: Last year Tagamet sales exceeded $280 million and accounted for about one-third of profits. In 1979 Tagamet may cross the $350 million mark. It has pushed SmithKline's return on equity to 34.8% from a five-year average of 25.5%. But that's quite a change. Just five years ago, it was considered the industry's stepchild with one of the lowest P/E ratios: Only 14 *vs.* an industry average of 28 at the close of 1973.

So far, SmithKline is an exception. There has been an industrywide new-product lull. Even now, with some new drugs coming onto the market, it remains questionable whether they will have a strong impact on the bottom line. It costs over $70 million and takes seven to ten years to bring a new drug to market. What's more, pharmacists are now able to substitute cheaper versions for doctor-prescribed brand name drugs on which the patents have expired. The generics are squeezing the potential return on those big research dollars.

The drug companies are responding to this problem in different ways. Merck struggled through a poor first nine months in 1978 with an aging product line that held earnings growth to 9% *vs.* a five-year growth rate of 13.3%. But Merck may be about to produce some real trend buckers. This year will tell: Three new products have been Federal Drug Administration-approved and were introduced late last year: Clinoril, a new anti-arthritic; Timoptic, a glaucoma treatment and Mefoxin, an antibiotic.

In contrast, Lilly has diversified. Though it still spends the same high 9% of sales on research, it decided as early as 1970 to put some funds to work in other fields—like Cardiac Pacemakers, Inc., acquired last year. By 1980 half of its sales may be from outside pharmaceuticals. It's also taking partners in research—like San Francisco's tiny Genentech, Inc.—in hopes of producing commercial human insulin. Two things have helped sustain the drug industry's overall five-year return on equity of 20.2%: Prices are increased and large overseas earnings are inflated by the weak dollar as profits return. Written prescriptions may grow only 2% to 3% from now on, but the industry has added on an annual 5% price increase. That means the same total growth at 8% as in the early Seventies. How much longer this can be kept up is a question. Says Shearson Hayden Stone's David H. MacCallum, "Foreign currency gains this year have been very important to the industry's income account. To repeat that performance in 1979 means the dollar must remain weak. Your guess is as good as mine on the dollar, but I think it's a low-quality way to record earnings gain." Example: Merck got an estimated one-half of its earnings abroad; Pfizer, 60%—earnings that might erode this year if the dollar bounces back.

Hospital supply firms have little to cheer about, either. The average hospital stay is down from 8.3 days per patient ten years ago to 7.6 today. This is partly because people recover from operations faster now, and also because equipment that used to be found only in a hospital now is in a doctor's office.

The other reason is soaring costs. The average U.S. hospital room plus services costs $190 a day. For over a decade,

Over 11,000 runners at the start of the New York City Marathon
What's it got to do with the price of aspirin?

many people believed that because they didn't pick up the medical bill directly—private insurers or the government did—the sky was the limit. For example, we spent 8.9% of the GNP or $182.2 billion on health care in the last fiscal year.

Now the government has begun to press for controls on hospital costs. That affects both the hospitals, which account for 40% of total U.S. health expenditure, and their suppliers. In the face of possible congressional action to put a 9% cap on cost increases, hospitals initiated voluntary cuts that it claims held the rise to 12.8% last year *vs.* 16% in 1977.

A solution may be in the private sector—fast-growing hospital management companies like Humana and others that now own or operate about 8% of U.S. hospitals. Highly leveraged Humana (on $83 million equity, it carried $244 million in long-term debt) built 43 hospitals in the last eight years, but with construction costs per bed now at $80,000 to $100,000 it has found it cheaper to acquire. Its unfriendly acquisition of American Medicorp last year doubled its capacity to 16,317 beds for a mere $56,000 each. Says Humana's CEO David A. Jones: "As a whole, hospital construction has declined sharply—which is bullish for our industry. It means more intensive utilization of existing facilities." Although Humana's average patient stay bottomed out at 6.2 days last year, occupancy increased 3% to 57%. Still, it will be the mid-Eighties before the beds in Humana's existing facilities are reasonably filled, which means s net profit margins of 3.4%.

All of this—the proliferation of hosp management chains with bulk buyers generally harder bargaining by all hosp

Practicing yoga by the freeway
"Inner Health" is free; outer health costs more than ever.

Personal Products:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
TOBACCO												
Philip Morris	22.2%	1	23.1%	0.8	13.4%	2	13.6%	6.3%	19.4%	2	18.4%	2
R J Reynolds Inds	21.1	2	19.9	0.3	14.0	1	14.9	7.0	15.6	3	10.0	3
Loews	20.6	3	21.8	0.8	10.4	4	8.3	4.1	29.3	1	19.7	1
American Brands	13.7	4	15.5	0.4	10.9	3	9.8	3.7	8.5	4	5.4	4
Liggett Group	8.5	5	14.3	0.5	10.5	5	7.2	5.4	3.8	6	–0.4	5
Culbro	7.3	6	2.2	0.8	3.2	6	6.5	0.5	7.5	5	–0.5	6
Medians	**17.2**		**17.7**	**0.7**	**10.7**		**9.1**	**4.8**	**12.1**		**7.7**	
TOILETRIES & COS												
Avon Products	30.4%	1	32.9%	0.0	32.0%	1	29.2%	11.4%	11.1%	8	8.3%	7
Intl Flavors & Frag	22.5	2	24.8	0.0	22.8	2	21.1	15.3	17.4	3	15.4	3
Revlon	21.1	3	22.2	0.4	17.3	4	15.5	8.7	19.0	1	15.8	2
Chesebrough-Pond's	19.2	4	19.1	0.2	15.9	3	16.1	7.3	18.1	2	11.0	5
Procter & Gamble	18.5	5	19.1	0.2	14.9	6	14.8	6.3	15.3	5	10.8	6
Gillette	18.0	6	16.7	0.4	12.1	7	13.2	5.4	13.4	6	2.7	9
Colgate-Palmolive	17.3	7	16.0	0.1	14.1	5	15.1	4.1	17.2	4	13.2	4
Kimberly-Clark	16.0	8	16.2	0.3	12.0	8	12.0	7.8	10.8	9	22.7	1
American Cyanamid	14.1	9	12.7	0.4	9.6	9	11.2	5.6	11.3	7	7.7	8
Medians	**18.5**		**19.1**	**0.2**	**14.9**		**15.1**	**7.3**	**15.3**		**11.0**	
Industry Medians	**18.5**		**19.1**	**0.4**	**13.4**		**13.6**	**6.3**	**15.3**		**10.8**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40.

WE TACKLED A TOUGH ONE IN GABON.

Much of the economy of this West African country is tied up in its mineral and timber products. The problem was getting these products out of remote, back-country regions and exporting them – fast! To do so meant building two new bridges over the Bakoue and Coma Rivers, plus extending airport runways to accommodate today's jumbo jets.

Gabon needed some $20 million. So our international people got moving on the problem – fast! Soon the Bank of Boston was acting as agent bank for the whole deal, analyzing the projects, and putting a complete financial package together with other banks. Result: new productivity and prosperity for an emerging nation in need of help.

We're the bank that specializes in this kind of swift, creative decision-making. Tough, international financing problems are right down our alley, and we've got 10,000 people around the world to tackle them.

Bank of Boston is one of the leading banks in the world with strong facilities in 40 countries (and more than $2 billion currently committed to overseas lending). And in the U.S. we have full-service facilities (Bank of Boston International) in New York, Los Angeles, and Miami, as well as our headquarters staff in Boston who specialize in financing, factoring, leasing, foreign exchange, and all related services.

Where in the world can we tackle the next tough project for your company?

BANK OF BOSTON 1784

THE FIRST NATIONAL BANK OF BOSTON

WE TACKLE THE TOUGH ONES.

WORLD HEADQUARTERS: **100 FEDERAL STREET, BOSTON, MASS.** OTHER U.S. FACILITIES IN **NEW YORK, MIAMI, LOS ANGELES.** OVERSEAS FACILITIES IN **ARGENTINA:** AVELLANEDA, BUENOS AIRES, ROSARIO. **AUSTRALIA:** MELBOURNE, SYDNEY. **BAHAMAS:** NASSAU. **BOLIVIA:** LA PAZ, SANTA CRUZ. **BRAZIL:** BRASILIA, CAMPINAS, PORTO ALEGRE, RIO DE JANEIRO, SAO PAULO. **CHANNEL ISLANDS:** GUERNSEY. **DOMINICAN REPUBLIC:** SANTO DOMINGO. **FRANCE:** PARIS. **GERMANY:** FRANKFURT, HAMBURG. **GUATEMALA:** GUATEMALA CITY. **HAITI:** PORT-AU-PRINCE. **HONG KONG. IRAN:** TEHRAN. **JAPAN:** TOKYO. **LEBANON:** BEIRUT. **LUXEMBOURG:** LUXEMBOURG CITY. **MEXICO:** MEXICO CITY. **PANAMA:** PANAMA CITY. **SINGAPORE. SPAIN:** MADRID. **UNITED KINGDOM:** LONDON. **URUGUAY:** MONTEVIDEO. **VENEZUELA:** CARACAS.

It would be hard to imagine a day when Greyhound didn't touch your life in some way.

Like in the bathtub.

More Americans lather up with Greyhou Dial than with any other brand of soap. And c shampoos and deodorants are among Amer favorites as well.

Of course, Greyhound is the number on name in transportation, too. We take more Americans more places than anybody else o

We're as basic to America as the Saturda

Or in the sky.
Greyhound's Armour is the country's leading cer of bacon and number two in sales of gs.
Greyhound Food Service feeds millions of cans daily under contracts with everybody ne Air Force at Lackland to the work force neral Motors.
lus, Greyhound leases trains to the railroads and jumbo jets to the airlines. We rent cars, write insurance, finance computers, fuel aircraft, build display booths and generally do everything from hosting Las Vegas conventions to spinning yarn for Grandma's shawl.

In short, Greyhound isn't just "the bus company" anymore; it's "the omnibus company"- a $4-billion, diversified corporation serving America in a hundred basic ways.

ght bath.

Greyhound Corporation *The omnibus company.*

The many worlds of RCA

Consuming about as much power as a 100-watt bulb. RCA color TVs save energy.

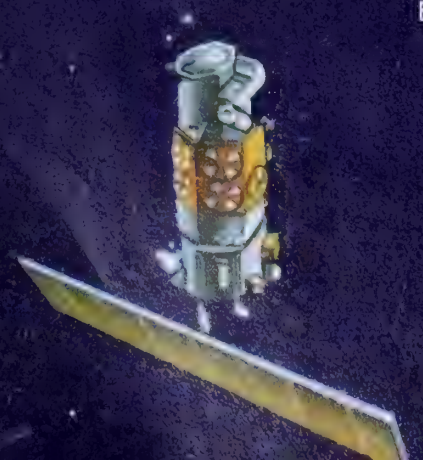
It takes a lot of electricity to power the television sets in 71 million homes. Now it can take less.

Most new RCA color TV models feature our 100% solid state Xtended Life chassis—the finest we've ever put into a color set. It runs cooler using substantially less energy than our previous solid state receivers. Depending on screen size, it saves 26 percent to 34 percent of the electricity required before. And it uses only one-third as much energy as older RCA tube-type sets.

Technological advances like this have always helped RCA to be a strong seller. In 1977, RCA shipped more sets than in any other year in its history.

From television sets to Hertz rental cars, from Banquet® frozen foods to weather satellites, RCA is dedicated to innovation, quality and steady growth.

© 1978 RCA Corporation



nistrators—is beginning to hurt ne suppliers. Perhaps worst hurt is erican Hospital Supply. Along with ott Labs, AHS went after the plastic solution packaging market dominated Baxter Travenol. AHS' margins last r were only half of Abbott's, whose rldwide sales of fluid systems (IV solu-ns and administration sets) in the first e months were up 14% over 1977 sales $244 million. AHS didn't do much ter compared to Baxter Travenol, ich hasn't been hurt by the intensify-competition. Also, American Hospi-s strategy to offer large customers dis-nts on commodity goods failed.

or the tobacco industry the solution more clear cut: diversification. The acco market has virtually stopped wing—it increased less than 1% last r, all of it in low-tar cigarettes. As the ks of smokers have slowly but stead-diminished, nonsmokers have be-ne a more powerful political majority. t year Philip Morris bought The Sev-

Socializing in the whirlpool bath
Tranquilizers don't just come out of a bottle.

en-Up Co. for $515 million, R.J. Reynolds agreed to acquire Del Monte for about $621 million in cash and preferred stock, American Brands completed its acquisition of Franklin Life and Liggett agreed to buy Atlantic Pepsi-Cola Bottling Co. for $124 million. Reynolds has only begun. Although it has already acquired an energy business (Aminoil), a food company (RJR Foods, Inc.) and a

Health Care:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
ETHICAL DRUGS												
Merck	26.9%	1	23.3%	0.2	20.5%	2	24.2%	15.7%	13.5%	5	13.3%	2
Schering-Plough	26.2	2	23.3	0.0	22.6	1	25.6	18.1	13.6	4	17.9	1
SmithKline Corp	25.5	3	34.8	0.3	28.6	3	21.2	14.2	13.9	2	12.8	4
Eli Lilly	21.6	4	21.6	0.0	20.6	4	20.9	15.1	13.7	3	12.7	5
Upjohn	18.8	5	22.4	0.4	16.7	6	15.0	9.6	16.7	1	13.1	3
Pfizer	17.5	6	17.9	0.4	13.4	7	13.6	8.8	13.4	6	10.6	6
A H Robins	16.6	7	14.6	0.1	13.3	5	15.3	9.1	12.8	7	7.4	8
Squibb	16.4	8	15.0	0.4	11.2	8	12.3	8.0	9.8	8	9.8	7
Medians	**20.2**		**22.0**	**0.3**	**18.6**		**18.1**	**11.9**	**13.6**		**12.8**	
PROPRIETARY DRUGS												
American Home Products	31.5%	1	32.4%	0.0	31.6%	1	30.7%	11.4%	11.2%	4	12.4%	2
Bristol-Myers	22.3	2	21.4	0.1	19.8	2	20.0	8.3	12.4	2	13.7	1
Sterling Drug	16.6	3	15.1	0.1	13.6	3	15.5	7.3	10.3	6	5.5	5
Warner-Lambert	16.5	4	17.4	0.2	13.2	4	13.5	7.4	12.3	3	8.6	3
Richardson-Merrell	14.0	5	13.0	0.2	11.9	5	12.9	5.8	12.9	1	8.5	4
Morton-Norwich	9.1	6	15.1	0.4	11.3	6	7.4	6.0	10.4	5	–1.9	6
Medians	**16.6**		**16.3**	**0.2**	**13.4**		**14.5**	**7.4**	**11.8**		**8.6**	
PRODUCTS & SERVICES												
Abbott Laboratories	20.0%	1	21.1%	0.3	16.6%	2	15.0%	10.1%	17.2%	6	20.0%	5
Johnson & Johnson	18.7	2	19.7	0.0	19.3	1	18.0	8.9	16.7	8	14.9	6
Hospital Corp of Am	17.4	3	18.5	1.4	8.3	8	8.1	6.0	31.3	2	23.9	1
Bausch & Lomb	16.6	4	18.8	0.3	15.0	3	12.5	6.8	16.2	9	23.1	2
Baxter Travenol	16.4	5	16.9	0.4	12.5	6	11.6	9.2	23.4	4	22.4	4
Humana	15.0	6	20.4	2.3	13.1	9	7.6	3.4	33.1	1	22.7	3
Becton, Dickinson	14.9	7	14.8	0.2	12.1	5	11.6	7.7	15.1	10	13.8	8
Amer Hospital Supply	13.6	8	14.9	0.4	11.4	4	12.0	5.4	16.9	7	14.5	7
Amer Medical Intl	11.0	9	16.9	1.2	9.2	10	6.3	5.2	24.6	3	9.8	9
G D Searle	10.6	10	def	0.9	def	7	9.0	def	22.4	5	–6.6	10
Medians	**15.7**		**17.7**	**0.4**	**12.3**		**11.6**	**6.4**	**19.8**		**17.5**	
Industry Medians	**16.6**		**18.2**	**0.3**	**13.4**		**13.6**	**8.2**	**13.8**		**13.0**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. def Deficit.

So you read...
FORBES • THE NEW YORK TIMES
THE WALL STREET JOURNAL • NEWSWEEK
BUSINESS WEEK • TIME

So what's new?

Public Opinion

"PUBLIC OPINION, a journal published by the American Enterprise Institute, a source of consistently convincing analysis of public policy choices." George Will – Syndicated Columnist

To find out how you can get a year's subscription to **PUBLIC OPINION** and the other unique periodicals published by AEI, just circle the American Enterprise Institute on the reader service card in this magazine or write:

ASSOCIATES PROGRAM

American Enterprise Institute Associates Program
Department 660
1150 Seventeenth Street, N.W.
Washington, D.C. 20036

Call (414) 639-1011

...If your company needs expert counsel in Heat Transfer

America's leading manufacturers of mobile equipment, engines, gas turbines and machine tools depend on Young Heat Transfer Products. If quality, service and integrity are important to you, why not contact Young?

Young RADIATOR COMPANY

2825 Four Mile Road
Racine, Wisconsin 53404

Financial Advisor to Business Owners and Executives

Kanaly Trust Company
National Pioneer in Financial Counselling

4550 Post Oak Place
Houston, Texas 77027 713/626-9483

shipping operation (Sea-Land), thre fourths of its earnings are still from t bacco. That's even though its bran aren't growing faster than the industry a whole. Worse, its Winston, once nu ber one, is losing ground to Marlbo Says Joseph F. Abely, chief financial of cer: "The domestic tobacco business today the cash register of the compan which we are employing to broaden o consumer products business." In fa Reynolds' domestic tobacco business throwing off $200 million a year in cas

What about cosmetics and toiletrie For 14 years—until 1972—sales of the products grew 50% faster than total pe sonal spending. Then 1974 proved th this once recession-proof industry w no longer invulnerable. In the past fi years, personal spending has grow 10.5%, but cosmetics and toiletries ha trailed at 8.6%. True, last year cosmeti sales were up 10% to $12.5 billion, b even the most optimistic analysts do expect that to happen this year. So c

The tobacco market grew les than 1% last year, all of it i low-tar cigarettes. As th ranks of smokers diminis more militant efforts to ba smoking are inevitable.

metics producers, like the tobacco indu try, are diversifying. Widely diversifi Chesebrough-Pond's has Ragú spaghe sauce, which has cornered 60% of a $2 million market; Vaseline Intensive Ca lotion has 27% of the $175 million ha lotion market; and Q-tips, 75% of t cotton swab market. Now C-P is faci Procter & Gamble's Wondra, a mas merchandise hand lotion aimed direct at Vaseline Intensive Care.

Even the giants—Avon and Revlon are moving into new fields. Avon h been helped by its move into costu jewelry, a market where it has increas sales by 50% last year to $370 millio Avon has captured over 25% of all U. costume jewelry sales in a five-year pe od. Late last year, Avon offered to mak a tax-free exchange of 1.95 million of i shares for all 2.3 million shares of Tiffa & Co.'s common stock. The value: estimated $103.6 million. Revlon's d versification into specialty health-ca products has turned out well. But i move into ethical drugs has diluted ove all returns. Last year operating margi on Revlon's domestic pharmaceutica dropped to 18% from 27% two years ag mainly because of the acquisition of lo er margined Armour and Biomedical.

Having a strong franchise in aspirin cigarettes or doctors' prescriptions is sti nicely profitable but not as profitable as easy to maintain as it once was.

Transcendental meditation anyone?

SEND YOUR PLANT LOCATION EXECUTIVE TO ONE OF OUR SMALL TOWNS, AND HE MAY NEVER COME HOME AGAIN.

These days, crowded cities are becoming popular places to move away from.

People prefer to live where there's actually room to live. And so do the companies they work for.

Which illustrates why small towns in North Carolina are big in American industry.

The quality of life is good. So good, that when many relocating companies transfer people here, they often have a hard time moving them again.

Of course, something besides wholesome liveability makes our towns attractive to new business.

Namely, the labor force that's already living in them.

They want the jobs economic development brings in.

And, because the work ethic still exists here, North Carolina has one of the lowest work stoppage rates in the nation.

With this combination of space and willing labor, your company can prosper in the serenity of small town living.

Yet, you're never any notable distance from active urban centers.

And, when it comes to considerations like transportation, energy and operating costs, our advantages will amaze you.

To learn more about the state people don't want to leave, write: North Carolina Department of Commerce, Industrial Development Division, Suite No G 7, 430 N. Salisbury Street, Raleigh, NC 27611.

Or call 919-733-4151.

Better yet, send your location man to examine the situation firsthand.

However, once he's here, don't be too surprised if he forgets about going home.

NORTH CAROLINA

The U.S. had the most profitable major steel industry in the noncommunist world last year. That wasn't saying much.

Steel

Twenty-six-year-old blast furnace at U.S. Steel's Fairless Works
A new plant by U.S. standards. An old plant by world standards.

In 1978 steelmakers logged their best results since the boom of 1973-74: Return on equity nearly doubled to 6.5%, shipments passed the 96 million mark, *vs.* 91 million in 1977, and the U.S. industry became the most profitable among the free world's major producers.

Meanwhile, Japanese and major European steelmakers were at best doing little better than breaking even. Because of a world steel excess capacity estimated by the CIA at 80 million tons, or 13% of the world capacity, the Japanese announced they will be reducing work forces and cutting capacity by 5 million to 8 million tons (5% to 8%) in the future. The Europeans, too, notably the French, have indicated they will cut capacity. Is the promised land, therefore, at hand for this U.S. industry? Not a chance. The capacity cutbacks will be more than offset by developing nations, which have been adding plant at a fast rate. To remain competitive in the future world steel environment, U.S. companies will have to modernize their plant.

Eventually about 20% of U.S. capacity will have to be shut down in the same painful way Bethlehem bit the bullet in 1977. U.S. steelmakers, held back by poor cash flow, have been slow to adopt the major steel technologies of the last generation—the basic oxygen furnace and the continuous caster, for example. Only 11.8% of U.S. industry is equipped with continuous casters *vs.* 40% in Japan.

Such modernization costs money—more than U.S. steelmakers have. One new integrated medium-size facility—called a Greenfield site in the trade—is estimated to cost at least $5 billion; a so-called Brownfield site (an integrated extension to an existing plant) costs over $2 billion. With total industry profits of a little over $1 billion in 1978, it is obvious that the U.S. industry will be unable to finance the necessary modernization.

In the last 15 years Japan has built nine new supermills; European nations like Great Britain, Italy and France have added modern capacity; and developing nations like Korea, Taiwan and Brazil have built brand-new steel industries. But U.S. steelmakers have opened only one new, medium-size Greenfield site (Bethlehem's Burns Harbor, Ind. plant; present capacity: 5.3 million tons). Even t only replaced obsolete capacity. "Th has been no increase in domestic ca bility in the last ten years despite the t that both the U.S. economy and st consumption has grown," says Beth hem Chairman Lewis W. Foy. "So, effect, there has been a lessening of U.S. steel industry's capability to t care of the domestic market."

Then how come steel companies the U.S. did better than their coun parts around the globe in 1978? Mai because of the Carter Administratio trigger price mechanism, which, in fect, created a price floor for steelmak As a result, American producers w able to get price increases of about 12

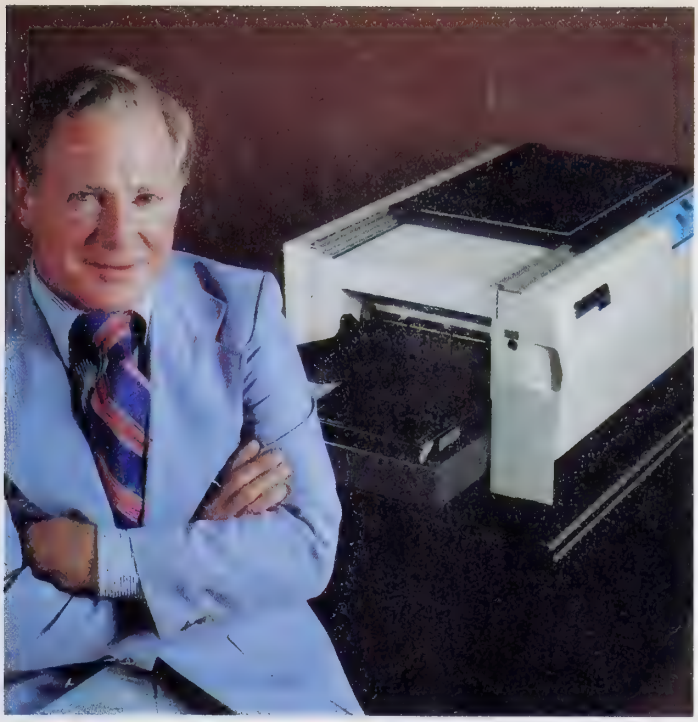
That's considerably higher than 8% outlined in Carter's inflation gui lines—and it's a big reason steelmak aren't likely to have such a good yea 1979. Carter has already indicated will make steel a bellwether for "vol tary" compliance by trying to hold increase in the trigger price next yea 7%. Steelmakers worry privately ab covering their labor and energy costs (ing at 10% a year) under such guideli and complain publicly that the trig prices haven't reduced import levels.

They have a point. When the T went into effect, the government talking about holding imports to 14% the total U.S. market; at year's end ports, most significantly from Eur and developing nations, were actu surpassing last year's 19.3 million to Especially hard hit is West Coast st maker Kaiser Steel, which spurted ink in 1978. Because Japanese costs (basis for figuring the TPM) are lower shipping to the West Coast than to e where in the U.S., so, too, are the trig prices. As a result, imports are captur 44% of the market there.

Yet for all their complaints about trigger price, U.S. steelmakers have f no new dumping charges against fore steel importers.

Nor have the steel companies actu been trying to wrestle market share fr the imports by lowering their pri many of which in 1978 were pegge 5% to 8% above the trigger level.

Such a strategy irritates Presid



A HALL OF FAMER TALKS ABOUT MAJOR LEAGUE COPIERS AT MINOR LEAGUE PRICES

Whitey Ford on Saxon Industries and Saxon copiers.

"An outstanding corporation, like an outstanding athlete, has an instinct for being in the right place at the right time. For instance, consider Saxon Industries.

Their smaller, smarter, less expensive copiers were produced with the small office in mind.

Today, many of America's largest corporations have chosen Saxon copiers. Because big business needs big savings. And that's what Saxon offers over other copiers. Now the Saxon sales and service offices and their independent dealers across the nation are introducing the new Saxon 302 copier. A machine with incredible new features at a value price. Saxon is in the big league to stay."

Saxon copiers aren't the only perfectly positioned Saxon product:

We're Nunsun, a space-age film that transforms ordinary glass into a heat-reflective, energy conserving system. Nunsun blocks out the suns rays in the summer to reduce air conditioning requirements and locks in heat during the winter. And it can be easily adhered to window glass or used in shade form. Truly an energy saver for all seasons.

We're Fonda, a leading manufacturer of quality consumer and foodservice disposables. Our products are appearing on more tables as people entertain more casually and eat out more often.

We're Hoyle, one of the biggest names in playing cards and games—a large part of the growing leisure market.

We're Brown & Bigelow, calendars, gifts, premiums and specialty items to give businesses that vital competitive edge.

We're a highly diverse company with thousands of products. And we'd like to tell you more about them and ourselves.

Contact Charles V. Morris, V.P. Corporate Relations, Dept. **F-1**, Saxon Industries, Inc., 1230 Avenue of the Americas, New York, New York 10020, (212) 246-9500.

SAXON INDUSTRIES, INC.

We're in the right place at the right time.

Saxon, Sphinx, Hoyle, Fonda and Nunsun are registered trademarks of the Saxon Industries group of companies

A tip on the profit motive.

Children quickly catch on to the idea that if you do something really well, and care about how it turns out, then you're probably going to get something more out of the experience than just a flat, dull sense of duty accomplished.

This satisfying process is one of the reasons why Pullman Incorporated and our operating divisions support Junior Achievement programs all across the country. As a responsible international business, deeply involved in key global battles against the energy shortage, the food shortage, pollution, mass transit problems and distribution costs, we are convinced that JA is an excellent way for young people to learn—through direct personal experience—how the profit motive and the free market system actually work.

We know it's an important lesson, because we are reminded every day that other interests in other parts of the world have other lessons to teach.

While it may be true enough that oversimplification of complex problems will not solve them, regulatory overcomplication hasn't worked either.

Pullman Incorporated

Divisions. Pullman Kellogg. Pullman Power Products. Pullman Standard. Pullman Swindell. Pullman Trailmobile For more information, simply write us. 200 South Michigan Ave., Chicago, Illinois 60604

Think of us as the direct line to America's growth cities.

We're Centel, and we operate in some of the fastest growing metro areas in the country.

Where there's a booming need for our services. And where the economy is growing faster than average. Like expanding, suburban Houston in the Lone Star State. Plus busy Las Vegas. Tallahassee, in the blossoming Sunshine State of Florida. And the bustling area next to Chicago's O'Hare Airport.

We're happy to say that these growth opportunities have helped us increase dividends for the past 15 years, with a compounded earnings growth of nearly 10%.

Why not take a look at the phone company that's in the right places at the right time— Centel. It could be just the right connection for you. For our annual report, write to: Central Telephone & Utilities, Stockholder Records Dept.A, O'Hare Plaza, 5725 East River Rd. Chicago, Illinois. 60631.

CENTEL

CENTRAL TELEPHONE & UTILITIES

America's fifth largest telephone company (And growing fast!)

ter's anti-inflation people. Barry Bosth, head of the Wage & Price Stabil- Council, has recommended that the asury look into abolishing the trigger e system. The Treasury itself is con- ring several reforms.

Whatever happens, it isn't likely to be d for the steel companies. If Treasury ks by the 8% guideline, steelmakers be hard pressed to recover their in- ably increased costs. Should the dol- strengthen, the trigger price mecha- n could be revised downward—a sure ster for the steel industry. In any , foreign steel can find a loophole by ng into this country in the form of , appliances, machinery and other ue-added products—which would se further havoc with the U.S. bal- e-of-payments deficit.

pecialty steelmakers will be watching fully what the Carter Administration does about trigger prices. In June the import quotas governing many specialty steel products for the last three years lapse, and the steelmakers want them extended. "The outlook for 1979 is tenuous because of the quota situation," says Joseph C. Wyman, vice president at Shearson Hayden Stone. "No one is certain what Washington will do."

Whatever happens, it isn't likely to be good for steel. If Treasury sticks by the 8% guideline, steelmakers will be hard pressed to recover their increased costs. Should the dollar strengthen, the trigger price could be revised downward.

In part, specialty steelmakers benefit because the U.S. is still among the world's technological leaders in producing high-grade specialty products, but price counts, too. This is why specialty steelmen will fight hard to get the government to renew the quotas, which in 1978 helped them realize another good year. Median return on equity: 12.5%. Big winners included Athlone Industries with a return on equity of 22.4%; Carpenter Technology, 19.8%; Colt Industries, 18% and Cyclops, 13.2%. But most may have trouble matching their returns in 1979, unless the quotas are extended.

For all companies in the industry, demand will be weaker this year. Steelmakers are hoping that capital goods markets, which strengthened late in 1978, will offset a slackening in consumer goods markets, but high interest rates are now expected to dampen business in the second half. While steelmen contin-

Steel:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
BASIC PRODUCERS												
Armco	12.0%	1	13.9%	0.4	9.9%	1	8.4%	4.7%	13.3%	1	15.6%	2
Inland Steel	11.4	2	11.3	0.5	7.8	2	8.3	4.1	12.8	3	11.8	5
Kaiser Steel	9.3	3	def	0.5	0.4	4	6.5	def	9.3‡	8	19.2	1
United States Steel	8.6	4	3.0	0.4	2.7	3	6.9	1.5	11.4	6	13.5	3
National Steel	8.0	5	7.1	0.5	5.2	5	6.2	2.6	13.2	2	4.5	6
Republic Steel	7.2	6	6.5	0.3	5.0	6	5.8	2.6	11.9	4	12.1	4
LTV	4.5	7	def	2.6	2.0	8	4.1	def	4.9	9	D–P	
Bethlehem Steel	4.5	8	7.8	0.5	6.3	7	4.3	2.9	10.8	7	–8.0	7
Lykes	def	9	def	1.2	def	9	1.8	def	11.6	5	P–D	8
Medians	**8.0**		**6.5**	**0.5**	**5.0**		**6.2**	**2.6**	**11.6**		**12.0**	
SPECIALTY & OTHER												
Athlone Industries	24.6%	1	22.4%	1.4	10.5%	8	10.9%	4.6%	8.5%	16	39.8%	2
Crane	23.3	2	11.0	0.8	7.0	6	12.7	2.9	8.3	17	37.1	3
NVF	22.8	3	16.9	0.7	13.1	3	14.1	6.0	8.6	15	27.3	4
Colt Industries	20.1	4	18.0	0.6	10.8	7	11.9	4.8	13.2	5	40.5	1
Carpenter Technology	16.9	5	19.8	0.0	17.3	1	14.7	8.5	12.7	6	20.6	6
Copperweld	16.6	6	9.9	0.4	7.6	5	13.3	3.2	14.9	1	16.8	9
Central Steel & Wire	15.4	7	14.2	0.0	14.1	2	14.7	2.8	14.6	2	24.9	5
Northwestern Steel	14.2	8	17.4	0.0	17.2	4	13.9	8.8	12.7	7	6.1	15
National-Standard	13.7	9	12.7	0.2	9.8	10	10.2	4.2	12.4	8	14.2	10
Hanna Mining	12.1	10	4.7	0.1	4.4	9	10.8	5.4	10.9	12	7.7	14
Lukens Steel	11.1	11	12.5	0.1	10.5	12	9.3	5.2	11.7	10	17.6	7
Interlake	11.0	12	2.3	0.3	3.0	11	9.4	0.8	14.3	3	17.1	8
Allegheny Ludlum	9.5	13	7.3	0.8	4.5	13	6.5	2.5	11.4	11	12.1	12
Cyclops	7.9	14	13.2	0.3	9.0	14	5.7	2.4	12.0	9	9.8	13
Keystone Consolidated	5.7	15	1.4	0.5	2.3	15	5.0	0.4	9.5	14	12.6	11
Wheeling-Pitts Steel	2.6	16	def	0.7	1.1	16	3.3	def	10.7	13	–1.6	16
McLouth Steel	0.6	17	def	0.8	def	17	2.0	def	13.4	4	D–P	
Medians	**13.7**		**12.5**	**0.4**	**9.0**		**10.8**	**3.2**	**12.0**		**17.0**	
Industry Medians	**11.1**		**8.9**	**0.5**	**6.7**		**8.4**	**2.9**	**11.8**		**13.9**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡Four-year growth. P-D Profit to deficit. D-P Deficit to profit; not ranked. def Deficit.

"Life is good in Dallas/Fort Worth because we have the right attitude."

Stanley Marcus
Chairman Emeritus
Neiman-Marcus

"One of the things people always ask me about Dallas/Fort Worth is what's it like to live there? What do you do besides work? And what do you do for fun?

"In that regard, the Metroplex has a great deal to offer.

"For instance, the Kimbell, Amon Carter and Fort Worth Art Museums are three of the great museums of the country. All in a city of half a million people.

"And the Dallas Museum – it's bursting at the seams with collections and acquisitions. We have Preston Jones, Playwright-in-Residence at the Dallas Theatre Center. They're doing bold new things there.

"Audiences continue to grow at the symphonies. And there are plans for an important cultural center in Dallas that will include a major symphony hall, new museums, provisions for future development for the other arts.

"All this relates back to the communities that have been supporting these things. And to the attitude – it's positive.

"In fact, I don't know any cities of comparable size that support the arts so aggressively.

"Life is good here because we have the right attitude. That attitude has had a great deal to do with the growth of the arts and the Metroplex."

If your company is considering relocation or expansion for any of its operations, contact us now. We'll provide all the information you need on the Southwest Metroplex. Write Worth M. Blake, President, North Texas Commission, P.O. Box 61246, Dept. U, Dallas/Fort Worth Airport, Texas 75261. Or call 214-574-4430.

The right attitude.

Dallas/Fort Worth
The Southwest Metroplex

ue publicly to predict a volume equ
last year's, the chances are that
ments will be in the low 90 millio
range—not much better than 1977
below the 100 million tons (with
price increases) that Robert A. Hage
vice president of Kidder, Peabody &
says is necessary for a minimum lev
decent profitability.

Within the industry those compa
like Bethlehem and U.S. Steel, that r
heavier steels for the capital goods
kets should do better than those,
National and Republic, tied more to
sumer durables. Inland should cont
to do well because of good market d
sity, an efficient plant and a loc
near strong midwestern steel mar
which are not as vulnerable to impo

If, as is likely, 1978 was the high
in an economic cycle for steel, the in
try has good reason to be discourage

Japanese steelworkers on the job
Export accounts for 35% of product

Chairman Frederick G. Jaicks of In
Steel puts it: "Steel had a good ye
1978, but our return on investr
wasn't as good as you might do by
ting your money in bonds." He
right, of course. His company is on
the industry's most profitable, bu
return on capital over the latest
years averaged only 8.3%. (Near y
end, U.S. government-guaranteed ob
tions paid a return on capital as hig
9% to 10%, and six-month certificat
deposit paid around 10%.)

Little wonder that steel shares ur
performed the market during the
and that many of them sold as lo
lower than at the stock market bot
in late 1974. Little wonder, too,
steelmen were starting to look elsew
than in their own industry for pr
Armco, already number one in profit
ity, announced a diversification prog
aimed at raising nonsteel revenues f
32% to 55% of the total. Says Nati
Steel's chairman, George A. Stin
"We shouldn't put on blinders and
only at possibilities in steel." Is the o
proud U.S. steel industry falling in
prolonged decline—like that of railro
Quite possibly. But, except for the in
try itself, is anyone listening? ■

ıe prosperity that financial institutions have ıjoyed for the past two years is going to be sted in 1979 in a variety of ways.

Finance

OOK WHERE you will in the financial field, the prospects as 1979 begins seem to range from poor to ıidding. Bank interest margins? They relatively wide for the moment, but y are sure to shrink. Property and ıalty insurers? Their still acceptable lerwriting profits are destined to get ·se, if only because of the industry's tendency to start cutting premiums ·enever reserves and margins reach ıfortable levels.

'hat may sound like a replay of the recession, but this year there are ıificant differences. "I think 1979 is ıg to be a rather rough year," con- es Robert R. Dockson, chairman and ef executive of California Federal Sav- s and Loan. "Interest rates I think will ı down some time in the second quar- If that takes place, then the savings flow will, we hope, reverse. In our ı case we are bidding for expensive ney. Yet when you have to begin to 11% and 11½% for money, you 't put it out in housing. So you come a grinding halt at that point. Not a ıding halt like we did in 1974-75, but greatly reduced level. The difference hat in 1974 we were going through ntermediation, and losing large sums money because we didn't have the rket instruments we have now."

rock Weir, chairman and CEO of vetrust Corp., also sees the problem ıarrowing spreads, but argues that dis- ermediation *is* here—in a different ·. "What's agonizing now," he says, that with thrifts and commercials ching homogenized pricing, the disin- nediation is more internal than exter- The flow is not so much from the ımercial banks to the thrifts, or the fts to other money market instru- ıts. The flow is within the organiza- ıs themselves from lower rate instru- ıts to new higher rate instruments.

A lot of the current concern on the : of the thrifts and commercial banks hat we embraced with a great deal of this six-month floating rate certifi- e, and we find that we are now clutch- a monster to our bosom."

'he Carter Administration has sound- he alarm about possible overexposure onsumer credit in commercial banks.

Inflation fighter Alfred E. Kahn
If monetary policy is the weapon, financial institutions will be the victims.

"The dramatic expansion of consumer credit could be the greatest threat to commercial banks," says John G. Heimann, comptroller of the currency, "not the tanker loans nor the foreign country exposure that have concerned market analysts and journalists." The financial sector is most vulnerable to business cutbacks that would throw second wage-earners in families out of work, he goes on. "So many are depending on two jobs to meet debt service that rising unemployment could be disastrous."

To some that will sound like so much political jawboning—scare talk meant to dampen inflationary spending. After all, history tells us that the consumer is generally far more scrupulous about paying the bills than are many corporations, large and small.

But Heimann argues that banks are more exposed to consumer credit than most people realize. There is, for example, the threat of credit duplication. A person earning $20,000 to $30,000 a year today with a reasonably stable job does not content himself (or herself) with a single Visa or Master Charge card from one bank, but will often have several, including various entertainment cards like American Express or Diners Club. In addition, an individual may have check overdraft privileges plus ready-loan credit.

Credit card use particularly has been growing like the proverbial green bay tree. At the end of last year's second quarter, the number of active domestic Master Charge and Visa accounts stood at an incredible 42 million, up from 32 million just a year earlier, while gross dollar volume billed on them in the second quarter totaled $10.5 billion, up from $7.2 billion. This increased card use (plus some slowdown in repayments) lifted total debt for the two credit card groups by 40%, to $16.8 billion from $12 billion, in the year ended last June 30. On that date about 3.5% of Master Charge and 3.1% of Visa accounts were delinquent.

Banks, however, are unimpressed by those who warn that there are too many sources of consumer credit. "The consumer is a very intelligent individual in the aggregate, in our opinion," says Richard M. Rosenberg, executive vice presi-

dent of Wells Fargo Bank. "He'll self-police his own debt." B. Paul Jones, senior vice president of Valley National Bank of Arizona agrees: "Our experience through good times and bad is that the consumer monitors his own affairs pretty closely. When he feels his debt burden is getting onerous, he begins to curtail his spending, monitor his budget more carefully and increase his savings. Our feeling is, that is what he'll probably do this year. This credit duplication business seems overblown to me."

In contrast to the banks, the fire and casualty companies are preparing to self-inflict their damage through cutthroat competition for underwriting business. The rationale is that the premium in hand, even at levels too low in the long run, can be invested at the generous 9%-to-12% yield available on taxable instruments or 7%-plus tax-free interest to be got on municipals.

For two years now the property and casualty companies have been rolling in money, after the dreadful years of the early Seventies when state commissions held their rates down as inflation drove their costs through the roof. But then the regulators relented. On the higher rates that followed, companies have been able to rebuild their reserves until now they have room to play again.

"What's agonizing now is that . . . the disintermediation is more internal than it is external. . . . The flow is within the organizations themselves from lower rate instruments to new higher rate instruments. . . . We embraced with a great deal of zeal this six-month floating rate certificate, and we find that we are now clutching a monster to our bosom."

Now they are starting to "cut e other's throats again," says Presid Robert V. Hatcher Jr. of Johnson & gins, the country's largest private in ance broker. The price war, he adds, terribly fierce." Insurance brokers, Hatcher, will not be subject to the s swings in profit as the property co nies. Their revenues are spread both graphically and by type of business, therefore they are not subject to same type of competition. They als not have the same heavy capital need the insurers do, and therefore can af more liberal dividend payout policies

The industry yardsticks show Marsh & McLennan Cos., Inc., the est insurance broker by far, tops th nancial service group in five-year a ages of both return on equity and re on capital—and this with no debt standing. Its earnings, starting from already high base, have been growing 14% annual rate over the past five y

Underwriters, by contrast, may wel

Finance—Consumer Finance:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
FINANCE COMPANIES												
Household Finance	15.2%	1	14.4%	1.9	7.0%	1	7.3%	3.3%	12.0%	2	7.7%	1
Beneficial Corp	12.9	2	12.3	2.3	5.4	3	5.9	4.9	6.4	3	2.6	2
CIT Financial	11.1	3	9.3	2.1	5.5	2	5.9	14.5	6.0	4	2.2	3
Control Data	5.1	4	8.2	0.4	6.4	4	4.4	3.0	12.7	1	0.9	4
Medians	**12.0**		**10.8**	**2.0**	**6.0**		**5.9**	**4.1**	**9.2**		**2.4**	
FINANCIAL SERVICES												
Marsh & McLennan	31.0%	1	32.3%	0.0	32.4%	1	30.4%	14.0%	14.7%	10	13.9%	11
E F Hutton Group	20.6	2	21.4	0.4	17.2	2	16.4	5.9	20.8	2	24.4	3
American Express	18.2	3	21.6	0.2	16.9	3	15.3	7.5	14.9	9	16.5	6
Avco	18.0	4	29.3	3.1	7.7	16	6.8	7.4	3.9	20	50.4	1
American Financial	17.3	5	24.1	2.8	7.8	18	6.4	3.9	49.1	1	12.2	12
Fedl Natl Mortgage	16.5	6	17.8	26.7	3.7	20	4.1	6.5	16.0	7	14.6	10
Imperial Corp of Am	14.8	7	18.0	0.0	17.8	4	14.5	13.8	20.6	3	18.3	5
First Charter Finl	14.4	8	16.6	0.3	13.1	5	13.8	15.3	16.6	6	15.5	8
Walter E Heller Intl	14.3	9	13.2	2.8	5.2	15	6.9	7.8	8.1‡‡	19	2.6‡‡	18
Paine Webber	14.3	10	17.1	0.4	12.3	10	11.2	3.3	18.3	5	20.6	4
H F Ahmanson	13.6	11	17.9	0.6	12.3	6	12.6	11.9	18.6	4	11.8	13
Transamerica	13.1	12	19.3	0.9	11.7	12	8.4	5.7	10.3	15	14.7	9
Gt Western Financial	12.8	13	17.7	0.2	14.6	9	11.9	12.7	13.7	11	15.8	7
Dean Witter Reynolds	12.8	14	12.3	0.1	16.2	6	12.6	4.5	13.4	12	7.1	14
Merrill Lynch & Co	12.7	15	10.7	0.0	10.9	8	12.4	4.9	12.7	13	5.8	15
Sears, Roebuck	11.9	16	12.9	0.3	10.5	11	10.1	4.7	8.4	18	4.0	17
Investors Div Svcs	8.4	17	7.4	0.4	6.5	17	6.6	5.0	8.6	17	–4.7	20
Ticor	7.9	18	12.3	0.2	10.7	13	7.2	6.7	14.9	8	2.0	19
Bache Group	7.0	19	10.4	0.3	8.9	19	6.4	3.2	9.6	16	30.7	2
Reliance Group	def	20	47.4	1.4	15.9	14	7.0	6.5	11.2	14	5.5	16
Medians	**14.0**		**17.8**	**0.4**	**12.0**		**10.7**	**6.5**	**14.2**		**14.3**	
Industry Medians	**13.4**		**16.9**	**0.4**	**10.8**		**7.9**	**6.2**	**13.1**		**12.0**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡‡Three-year growth. def Deficit

Energy wasted.

ENERGY CONSERVED. BILLIONS OF CANS' WORTH A YEAR.

Since starting its program, Reynolds has recycled more than 13 billion aluminum cans.

Saving 95% of the energy needed to make the aluminum originally... and allowing that aluminum to keep on paying us dividends again and again.

In addition: Today's newest Reynolds cans contain 23% less metal than those of a few years ago. To save even more aluminum. Energy. And shipping cost.

Of course, Reynolds started the consumer recycling idea in 1967. And has paid recyclers more than $90 million for cans in that time.

That's a lot of aluminum. And a lot of energy.

REYNOLDS ALUMINUM

Conserving our resources and energy.

Update–Panhandle Eastern

WE'RE MO

A jack-up drilling rig moves ahead to a new location in the Gulf of Mexico.

VING AHEAD.

Natural Gas Supply Improves; Business Activities Enlarged.

As the nation looks to the promise of the 1980's, Panhandle Eastern is ready with a solid energy growth program that is already making an important difference to the markets we serve and to our stockholders.

1978 marked the second straight year of improvement in natural gas supply for the population/industrial centers our pipeline systems serve in Michigan, Ohio, Indiana, Illinois and Missouri. And the outlook for 1979 and the years immediately ahead is excellent, as well.

Why? Because since 1970, we've made a billion-dollar investment to locate, develop and acquire new gas production in areas ranging from the Gulf of Mexico to the Rocky Mountain region. Here is the record of accomplishment in the 1970's that looks to the future:

- A major supply system has been constructed in the Gulf of Mexico and another system was greatly expanded.
- Construction is moving ahead on our facilities to handle imported LNG (liquefied natural gas) which will add significant new supplies to the end of the century. The first deliveries are expected late in 1980.
- Three supply systems have been built in the Rocky Mountain area, an important new frontier for gas production.

Stingray City, our 50%-owned compressor station in the Gulf of Mexico, now moves one billion cubic feet of gas per day.

In addition, the recently enacted energy legislation should sustain the increased pace of domestic drilling, enhancing the long-term prospects for natural gas, to say nothing of the developing projects to transport gas from Alaska and utilize coal as another source of clean gas energy later in the 1980's.

Building on the solid base of its natural gas transmission operations, Panhandle Eastern has enlarged its business domain to include oil and gas exploration and production, contract drilling domestically and overseas and coal mining. For a detailed look at Panhandle Eastern, where $2 Billion in assets are successfully at work, send for a copy of our 1978 Annual Report, available in March. Write: Corporate Communications, P.O. Box 1642, Houston, Texas 77001. Stock symbol "PEL" — newspaper tables "PanEP."

Panhandle Eastern PIPE LINE COMPANY

approaching the downslope of the cycle. "There appears little chance that a topping out of the underwriting cycle can be averted in 1979 or 1980 at the latest," says Standard & Poor's. John R. Cox, president of INA's Property & Casualty Group, puts it more bluntly: "This business isn't going *totally* to hell this year, unless we get a major windstorm. But I'm not so sure about 1980. You see, the industry is really having its best results ever. No question about it. But we're now in a positive tax-paying position. To offset that a lot of companies went into municipal bonds, or else their bond portfolios are at price levels substantially higher than their current market value. So if they do liquidate they will have to take substantial losses. And don't forget that the dividends have been increased substantially."

Finance—Banks:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
NEW YORK BANKS												
Citicorp	16.0%	1	15.4%	1.0	9.6%	3	12.0%	6.4%	23.4%	1	14.1%	1
J P Morgan & Co	15.4	2	14.4	0.4	11.7	1	12.7	10.8	19.4	5	11.8	2
Mfrs Hanover Corp	14.9	3	13.8	0.5	10.4	2	12.3	7.3	21.3	2	11.5	3
Bank of New York	13.0	4	11.7	0.2	10.3	4	11.0	7.5	11.6	8	5.3	6
Charter New York	12.0	5	12.1	0.5	9.0	6	9.2	6.3	14.8	7	8.3	4
Chemical New York	11.6	6	10.8	0.6	7.9	5	9.3	4.8	20.3	3	6.1	5
Bankers Trust NY	9.9	7	9.8	0.4	7.7	7	8.3	4.4	17.0	6	1.8	8
Chase Manhattan	9.9	8	9.3	0.4	7.7	8	8.0	4.2	19.5	4	2.5	7
Marine Midland	5.3	9	5.2	0.7	4.0	9	4.4	2.4	10.1	9	–12.9	9
Medians	**12.0**		**11.7**	**0.5**	**9.0**		**9.3**	**6.3**	**19.4**		**6.1**	
REGIONAL BANKS												
Republic of Texas	17.2%	1	14.2%	0.3	11.5%	3	14.2%	10.0%	21.6%	7	18.2%	1
BankAmerica Corp	17.1	2	17.7	0.5	13.3	6	13.4	7.4	16.7‡	11	13.4	5
Texas Comm Bshs	17.0	3	17.6	0.2	16.1	1	16.5	12.2	31.0	1	15.1	2
Michigan National	17.0	4	17.2	0.4	13.6	7	13.3	10.1	13.7	24	12.3	8
U S Bancorp	16.9	5	17.8	0.4	14.0	5	13.7	13.9	14.2	23	15.0	3
First Intl Bshs	16.9	6	16.9	0.4	13.2	4	14.0	11.3	27.2	3	14.1	4
Continental Illinois	15.4	7	15.5	0.3	13.0	8	13.2	8.1	22.1	5	12.9	6
Seafirst	15.4	8	16.3	0.2	14.8	2	14.9	9.7	16.8	10	11.5	10
First City Bancorp	15.0	9	15.8	0.2	13.5	9	12.7	10.0	27.8	2	12.1	9
Northwest Bancorp	14.5	10	15.5	0.4	12.4	12	11.7	10.9	15.3	17	10.5	11
First Bank System	14.3	11	15.0	0.3	12.2	11	11.9	11.4	14.3	22	8.4	16
Wells Fargo	13.7	12	16.0	0.5	11.9	20	10.2	7.8	16.7	12	12.6	7
Wachovia Corp	13.5	13	12.9	0.1	11.8	10	12.1	11.1	11.5	31	9.0	14
First Chicago Corp	13.1	14	12.4	0.4	9.9	17	10.6	7.2	21.8	6	10.2	12
Natl Detroit Corp	12.6	15	13.3	0.2	11.7	16	10.8	11.5	11.9	30	8.4	17
Western Bancorp	12.6	16	15.8	0.4	12.4	19	10.3	8.2	12.7	28	6.9	21
Harris Bankcorp	12.5	17	9.9	0.2	9.0	18	10.4	7.6	15.2	18	9.6	13
Security Pacific	12.5	18	15.9	0.2	13.9	14	11.4	7.6	17.2	9	8.1	19
Northern Trust	12.3	19	10.7	0.2	9.2	15	10.8	8.0	14.7	21	8.1	18
Crocker Natl Corp	11.8	20	14.6	0.6	10.1	24	8.5	6.2	15.6	15	3.7	25
CleveTrust Corp	11.7	21	12.0	0.0	12.0	13	11.7	14.5	13.3	25	8.8	15
Philadelphia Natl	11.5	22	10.5	0.5	8.2	23	9.3	6.7	16.1	14	2.8	26
NCNB	10.9	23	13.7	0.8	9.5	27	8.0	8.9	15.0	19	1.9	28
BancOhio Corp	10.8	24	10.8	0.1	10.0	21	10.1	8.9	16.6	13	5.5	23
Mellon National Corp	10.5	25	11.0	0.2	9.7	22	9.5	10.4	15.4	16	6.7	22
BanCal Tri-State	10.3	26	20.5	0.4	16.1	26	8.0	10.3	10.5	32	7.7	20
First Natl Boston	10.0	27	10.8	0.7	7.8	28	7.6	5.7	17.6	8	2.5	27
Girard	9.9	28	12.4	0.7	8.5	29	7.5	7.6	13.3	26	0.1	29
Union Bancorp	9.6	29	13.2	0.3	11.1	25	8.1	7.4	–0.9‡‡	34	5.1‡‡	24
First Penna Corp	9.2	30	9.0	0.9	6.7	31	6.7	4.2	14.9	20	–6.3	31
Southeast Banking	8.7	31	10.6	0.7	8.2	30	6.8	6.9	22.8	4	–3.7	30
Fidelcor	8.0	32	def	0.5	1.0	32	6.3	def	12.8	27	–8.5	33
First Wisconsin Corp	7.1	33	9.2	0.4	7.8	33	6.0	4.9	12.4	29	–6.4	32
Citizens & Southern	2.8	34	def	0.2	def	34	3.2	def	10.4	33	–26.0	34
Medians	**12.5**		**13.5**	**0.4**	**11.6**		**10.5**	**8.2**	**15.3**		**8.3**	
Industry Medians	**12.5**		**13.2**	**0.4**	**10.3**		**10.4**	**7.6**	**15.4**		**8.1**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡Four-year growth. ‡‡Three-year growth. def Deficit.

Senior Vice President Richard E. Stew- of Chubb Corp., one of the most nservative property and casualty insur- ce companies, is negative about the mium concessions by some of the re aggressive companies—conces- ns he says Chubb is resisting. "The mpanies that have held the line on mium rates should ride through this period without getting hurt," he says. "We have been clobbered once and don't intend to get clobbered twice."

The lure for the premium price-cutter is the yield to be had from investing the premium money, even if the premium should prove inadequate to meet future loss experience. By putting the premium money to work at short term, yields as high as 10% and even 12% are possible. But the danger is that even a small slowdown in economic growth could unleash a flood of money and send both short- and long-term rates plunging—even without any easing of credit policy by the Federal Reserve. That would set the stage for a repeat of the financial disasters of 1974 and 1975. ■

Finance—Insurance
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
LIFE												
Combined Insurance	21.9%	1	20.9%	0.0	20.5%	1	21.0%	12.9%	12.4%	3	12.8%	4
Provident Life & Acc	18.6	2	18.4	0.0	18.3	2	18.6	7.3	10.7	6	18.4	1
USLIFE	16.3	3	16.7	0.4	13.2	5	13.7	12.1	13.0	2	12.3	6
Franklin Life Ins	15.3	4	15.0	0.0	14.8	3	15.3	12.3	8.7‡	11	9.3‡	12
Southwestern Life	14.0	5	14.1	0.0	14.1	4	14.0	10.1	5.3	14	11.7	7
Republic Natl Life	13.4	6	17.6	0.0	17.5	6	13.4	4.2	3.6‡	15	9.1‡	13
Jefferson-Pilot	13.3	7	14.3	0.0	14.1	7	13.2	13.0	9.6	8	13.1	3
Capital Holding Corp	12.9	8	13.3	0.0	13.2	8	12.7	15.3	9.3	9	12.8	5
Liberty Natl Life	12.6	9	13.0	0.0	13.0	9	12.5	15.4	9.9	7	9.9	11
Gulf United	12.0	10	15.6	0.4	11.9	12	10.2	12.2	11.2	4	3.4	15
American Natl Finl	11.3	11	15.5	0.0	15.5	10	11.3	11.9	9.0	10	18.0	2
NLT	11.3	12	11.1	0.0	10.8	11	11.1	18.3	8.4	12	11.6	8
Washington Natl Corp	9.6	13	12.5	0.1	11.1	14	8.4	3.4	18.5	1	4.7	14
Nationwide Corp	9.5	14	11.6	0.0	11.9	13	9.5	5.9	10.8	5	11.3	9
Business Men's Assur	6.6	15	19.5	0.3	16.4	15	6.3	10.7	7.1‡	13	10.9‡	10
Medians	**12.9**		**15.0**	**0.1**	**14.1**		**12.7**	**12.1**	**9.6**		**11.6**	
FIRE & CASUALTY												
Ohio Casualty	20.9%	1	30.2%	0.0	29.4%	1	20.4%	9.4%	15.0%	4	13.0%	6
General Reinsurance	19.4	2	22.5	0.0	21.7	3	18.5	11.9	17.4	2	17.8	1
U S Fidelity & Gty	19.1	3	30.6	0.0	30.7	2	19.0	10.5	12.7	7	16.3	2
Kemper Corp	18.3	4	26.6	0.0	26.2	4	17.9	7.3	19.2	1	15.9	3
Hanover Insurance	16.8	5	22.4	0.0	21.0	5	15.7	6.5	13.8	5	14.5	4
ERC	15.2	6	23.1	0.2	20.1	7	13.9	7.5	17.0‡	3	14.4‡	5
Crum & Forster	15.1	7	25.4	0.0	23.9	6	14.1	7.8	12.9	6	10.7	8
Continental Corp	12.2	8	19.3	0.1	17.3	9	11.2	10.0	9.8	10	11.1	7
Amer Re-Insurance	11.8	9	28.7	0.0	28.7	8	11.7	10.2	12.3	9	–0.9	9
NN Corp	8.9	10	24.0	0.2	24.3	10	8.8	6.7	12.3	8	–4.0	10
Govt Employees Ins	def	11	58.2	0.3	27.1	11	def	8.9	8.7	11	P–D	11
Medians	**15.2**		**25.4**	**0.1**	**24.3**		**14.1**	**8.9**	**12.9**		**13.0**	
MULTIPLE LINE												
Colonial Penn Group	29.7%	1	25.9%	0.0	26.0%	1	28.9%	10.5%	28.4%	1	25.3%	1
American Intl Group	26.8	2	24.5	0.1	24.7	2	24.8	9.6	19.5	2	23.8	2
Farmers Group	21.6	3	18.9	0.0	18.3	3	20.4	21.2	12.3	9	17.3	3
St Paul Companies	19.9	4	25.3	0.2	22.2	4	17.6	10.4	15.2	4	15.9	5
Aetna Life & Cas	15.7	5	23.5	0.1	20.6	6	14.2	5.2	12.2	10	15.8	7
Connecticut General	15.7	5	18.0	0.0	18.2	5	15.9	5.5	12.6	7	16.0	4
Amer Genl Insurance	15.0	7	21.5	0.1	16.1	8	11.7	8.3	13.3	5	15.9	6
Safeco	14.4	8	20.3	0.4	15.8	10	11.4	10.8	12.3	8	12.7	9
Travelers	12.8	9	20.3	0.0	19.1	7	12.0	5.1	11.5	12	13.0	8
Chubb	12.7	10	20.8	0.1	18.8	9	11.5	8.2	13.1	6	6.1	12
INA	11.0	11	17.1	0.3	14.4	11	10.6	4.9	16.9	3	6.1	11
Lincoln Natl Corp	10.6	12	14.3	0.0	13.0	12	10.2	7.2	12.0	11	7.1	10
CNA Financial	4.5	13	27.6	0.4	12.6	13	3.2	5.6	6.0	13	1.4	13
Medians	**15.0**		**20.8**	**0.1**	**18.3**		**12.0**	**8.2**	**12.6**		**15.8**	
Industry Medians	**14.0**		**20.3**	**0.1**	**18.2**		**13.2**	**9.6**	**12.3**		**12.7**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡Four-year growth. P-D Profit to deficit. def Deficit.

Department stores are dumping inventories, discounters are trying for a new image and retailers are bracing for a slowdown in 1979.

Retail distribution

STEPHEN PISTNER, president of Minneapolis-based Dayton Hudson Corp., follows the Administration's line and calls 1979 "a soft landing" for retailing. J.C. Penney President Walter Neppl speaks cautiously of "more moderate" retail growth this year: 8%, *vs.* 9% last year. Sears, Roebuck economist Jay Levine predicts a less-than-7% rise for retailers which, allowing for inflation, could mean no growth at all in real dollar volume.

That's what retailers are saying about 1979. What they are *doing* is preparing for the worst—a year that may be as bad as the disastrous recession year of 1974. Merchandisers prepared for 1979 by slashing inventory in the closing months of 1978. "We want to get inventory costs in line now so we won't be preoccupied with this in 1979," a Federated Department Stores executive said last November. Appliance makers who supply durable-goods retailers like Sears have already felt the pinch. Their sales slipped badly during the second half of 1978, triggering major layoffs in that industry.

The signs of slowdown were everywhere. By the third quarter of last year, consumer installment credit was 18.4% of disposable income, higher than 1973's prerecession peak. Meanwhile, growth in real disposable income is expected to slow from 4.1% in 1978 to 3% in 1979.

The result, says Mike Horn of the American Apparel Manufacturers Association: "Everybody's scared to death to hold inventory."

Well, not quite everybody. J.C. Penney, in an intense promotion campaign to upgrade its fashion image, made the biggest sales gains (18%) among the department stores in last year's first ni months, and in the process recaptur the number two retailing spot it h lost to K mart two years earlier. But t sales gains weren't reflected on Pe ney's bottom line, as per-share earnin were up only 1.4%. And more imp tant, Penney's inventories at the end the third quarter of 1978 had balloon by 42%. A great surge in the Christm season (about which Penney was m optimistic than the competition) m have brought inventories into balan but some observers were skeptical. our inventories were up that hig says one competitor, "I'd be sweati bullets."

Penney's inventory status may not typical, but its "fashion strategy" gets least lip service everywhere in reta ing—even among the discounters. L

Retail Distribution:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital					Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
DEPARTMENT STORES												
Dayton Hudson	17.8%	1	32.6%	0.5	32.5%	1	14.2%	8.7%	12.1%	3	26.2%	1
Mercantile Stores	15.0	2	14.6	0.3	11.5	3	12.4	4.2	11.7	5	11.0	6
Federated Dept Stores	14.8	3	14.2	0.2	12.1	2	13.3	3.8	12.3	1	10.1	7
Allied Stores	13.4	4	13.5	0.6	9.3	7	8.7	3.9	6.0	13	19.3	3
J C Penney	13.0	5	13.8	0.2	11.5	4	11.0	2.9	11.8	4	6.9	10
R H Macy	12.9	6	15.4	0.3	10.5	9	8.5	3.4	9.0	9	11.1	5
May Dept Stores	12.7	7	13.3	0.7	8.3	10	8.4	3.4	10.0	7	12.3	4
Carson Pirie Scott	12.5	8	13.2	0.7	8.5	12	8.0	3.0	5.8	14	19.6	2
Garfinckel Brooks Bros	12.4	9	13.3	0.4	10.0	6	9.4	3.3	10.2	6	7.6	9
Sears, Roebuck	11.9	10	12.9	0.3	10.5	5	10.1	4.7	8.4	11	4.0	12
Carter Hawley Hale	11.9	11	11.6	0.4	9.4	8	8.6	3.1	12.3	2	4.1	11
Strawbridge & Clothier	9.9	12	9.7	0.2	8.2	11	8.2	3.1	9.1	8	8.1	8
Gamble-Skogmo	9.4	13	8.3	1.3	6.0	15	6.6	1.0	4.2	16	1.6	13
Associated Dry Goods	9.0	14	6.9	0.2	5.8	13	7.4	2.1	8.6	10	0.4	14
Marshall Field	8.0	15	6.9	0.1	5.8	14	6.8	2.4	6.2	12	–1.2	15
Alexander's	6.4	16	7.2	0.9	4.5	16	4.2	1.1	5.1	15	–3.6	16
Goldblatt Brothers	1.2	17	def	0.4	def	17	1.8	def	3.9	17	–23.5	17
City Stores	def	18	6.5	0.9	5.9	18	def	1.0	–1.0	18	P–D	18
Medians	**12.2**		**13.1**	**0.4**	**8.9**		**8.5**	**3.1**	**8.8**		**7.3**	

Retail Distribution
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
DISCOUNT & VARIETY												
Wal-Mart Stores	28.3%	1	26.5%	0.3	20.2%	1	22.0%	3.2%	41.8%	1	34.0%	1
Caldor	21.1	2	22.7	0.5	15.2	2	17.2	3.0	21.2	3	17.4	3
Kings Dept Stores	19.1	3	20.6	0.4	15.6	3	17.0	3.2	10.8	10	12.5	4
K mart	18.2	4	18.1	0.2	15.5	4	16.1	2.8	20.6	4	18.3	2
Household Finance	15.2	5	14.4	1.9	7.0	9	7.3	3.3	12.0	8	7.7	6
Fed-Mart	13.3	6	6.2	0.4	6.1	7	8.6	0.5	16.9	6	9.9	5
Kuhn's-Big K Stores	12.9	7	0.3	0.5	1.2	5	11.0	0.0	23.5	2	4.9	7
Pamida	10.3	8	6.0	0.4	5.4	6	9.4	1.3	19.7	5	2.6	9
F W Woolworth	9.9	9	11.1	0.4	8.1	8	7.4	2.0	11.9	9	4.5	8
Rose's Stores	7.5	10	11.0	0.2	9.6	10	7.1	1.3	12.8	7	–5.0	12
G C Murphy	7.5	11	4.8	0.3	4.3	11	6.0	0.9	7.6	12	2.1	10
Zayre	6.7	12	9.7	0.7	6.7	12	5.0	1.0	8.1	11	–2.7	11
Rapid-American	2.3	13	24.3	2.8	8.5	13	4.6	1.8	0.3	15	–42.8	13
Vornado	def	14	def	0.8	2.2	14	1.9	def	2.9	14	P–D	14
Cook United	def	15	1.1	0.6	2.0	15	def	0.2	–7.3	17	P–D	14
Hartfield-Zodys	def	16	20.5	1.2	10.5	16	def	2.0	5.1	13	D–D	16
Arlen Realty & Dvpt	def	17	def	NE	def	17	def	def	0.2‡	16	D–D	16
Medians	**9.9**		**11.0**	**0.4**	**7.0**		**7.3**	**1.3**	**11.9**		**2.6**	
DRUG CHAINS												
Longs Drug Stores	22.9%	1	20.9%	0.0	20.9%	1	23.0%	3.6%	18.4%	6	17.3%	7
Pay'n Save	20.5	2	16.2	0.4	12.8	3	17.9	2.7	27.6	1	24.1	1
Jack Eckerd	19.6	3	17.7	0.0	17.4	2	19.1	4.5	26.7	3	19.6	3
Revco D S	18.7	4	21.0	0.2	17.4	6	15.3	3.7	27.6	2	18.7	5
Pay Less Drug NW	18.7	5	17.7	0.3	14.4	5	16.4	2.7	16.2	7	17.7	6
Skaggs Companies	18.7	6	19.1	0.1	18.0	4	16.7	2.3	21.5	5	21.3	2
Rite Aid	17.1	7	19.0	0.2	15.9	7	14.5	3.6	23.6	4	18.9	4
Sav-On-Drugs	12.8	8	14.5	0.1	13.1	9	12.2	2.1	12.5	9	8.5	8
Gray Drug Stores	12.4	9	13.5	0.4	11.1	10	9.9	1.8	10.8	11	6.8	9
Pay Less Drug (Cal)	11.8	10	6.5	1.6	5.9	8	12.3	0.7	13.6	8	3.9	11
Walgreen	11.2	11	17.3	0.5	11.9	11	8.1	2.0	7.0	13	3.9	10
Thrifty Corp	9.0	12	12.5	0.4	9.3	12	7.2	1.5	11.3	10	–2.5	13
Peoples Drug Stores	7.7	13	14.6	0.7	10.0	13	6.6	1.3	7.6	12	0.5	12
Medians	**17.1**		**17.3**	**0.3**	**13.1**		**14.5**	**2.3**	**16.2**		**17.3**	
SPECIALTY RETAILERS												
Service Merchandise	37.3%	1	30.4%	0.4	23.5%	4	26.5%	4.3%	51.2%	1	57.6%	2
Tandy	35.9	2	52.2	1.6	23.4	3	27.7††	6.3	29.1‡	4	62.8‡	1
Avon Products	30.4	3	32.9	0.0	32.0	2	29.2	11.4	11.1	14	8.3	12
Petrie Stores	30.2	4	30.1	0.0	30.1	1	30.2	11.1	17.8	7	25.1	6
Melville	26.4	5	27.5	0.2	25.9	5	24.0	4.9	17.8	6	17.5	8
Edison Bros Stores	23.8	6	25.8	0.3	20.4	6	19.6	5.8	13.2	10	23.7	7
Modern Merchandising	23.6	7	22.1	1.1	13.0	7	19.1	3.0	48.7	3	41.2	5
Best Products	21.7	8	30.1	0.6	22.0	8	18.6	4.1	49.1	2	43.3	4
SCOA Industries	20.5	9	22.6	0.8	13.7	10	12.7	2.1	13.6	8	50.7	3
Saga Corp	15.6	10	15.6	0.4	12.6	10	12.7	1.5	21.2	5	10.7	11
Morse Shoe	15.6	11	19.5	0.1	17.6	9	14.2	4.3	9.0	17	12.1	10
Gordon Jewelry	14.3	12	16.7	0.3	13.4	12	11.5	6.7	12.8	12	15.1	9
Beneficial Corp	12.9	13	12.3	2.3	5.4	19	5.9	4.9	6.4	19	2.6	17
ARA Services	12.7	14	12.4	0.3	9.5	14	9.7	2.6	12.6	13	7.0	13
Lane Bryant	11.8	15	11.8	0.2	10.0	13	9.9	3.0	5.3	20	2.7	16
Servomation	11.8	16	13.0	0.3	10.8	16	9.2	2.8	6.6	18	6.3	14
Brown Group	10.9	17	14.3	0.4	11.4	17	8.9	3.4	10.3	15	1.8	18
Zale	9.9	18	9.9	0.2	9.2	15	9.3	4.0	9.0	16	4.0	15
Levitz Furniture	8.4	19	14.4	0.3	11.2	18	7.2	3.0	13.2	9	–0.6	19
Wickes	7.6	20	15.2	0.7	10.0	20	5.7	1.8	12.9	11	–3.0	20
Genesco	def	21	def	1.7	4.1	21	def	0.3	–3.4	22	P–D	21
Daylin	def	22	15.5	1.2	9.1	22	def	2.9	–1.0	21	P–D	21
Medians	**15.0**		**16.2**	**0.4**	**12.8**		**12.1**	**3.7**	**12.9**		**9.5**	
Industry Medians	**12.7**		**14.4**	**0.4**	**10.5**		**9.4**	**2.9**	**11.8**		**7.3**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ††Three-year average. ‡Four-year growth. P–D Profit to deficit. D–D Deficit to deficit. def Deficit. NE Negative Equity.

Maxwell Sroge Company, Inc.

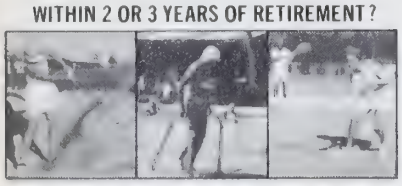
Acquisition Studies and New Business Development in the MAIL ORDER INDUSTRY

Among the clients we have served recently are seventeen corporations listed in the Fortune 500, the U.S. Government, private investors and major foreign companies

Maxwell Sroge Company

For confidential discussions write or call:
Arnold Fishman, President
Consulting Group
Maxwell Sroge Company, Inc
Time & Life Building
303 East Ohio Street
Chicago, IL 60611 312/266-4900

WITHIN 2 OR 3 YEARS OF RETIREMENT?



ENJOY an Arizona Vacation in a lovely apartment in

Sun City West

STANDARD OF THE WORLD IN RESORT RETIREMENT LIVING

A FABULOUS RESORT VACATION FOR ONE OR TWO PEOPLE JUST $150 *

Golf, tennis, swimming and special parties are just a few of the things you'll be invited to enjoy. Plus you'll stay in a beautiful air conditioned apartment with a completely equipped kitchen, color TV, attached carport and private patio. Just 15 miles from exciting Phoenix. Easy drive to the Grand Canyon, Mexico or Las Vegas.

INTRODUCTORY RATE:
For 1 week: Jan. 1, 1979-May 31, 1979
For 2 weeks: June 1, 1979-Oct. 16, 1979
Rates subject to change without notice

MAIL THIS COUPON TODAY!

DEL E. WEBB DEVELOPMENT CO. DEPT. FO-19
P.O. BOX 1725, SUN CITY, ARIZONA 85372

Send all details on the $150 Vacation Special plus full-color brochure to:

Name _____

Address _____

City _____ State _____ Zip _____

One guest to be 50 or over, none under 18. Reservations limited to available dates. Return visit Rate: $200
13601 Meeker Blvd., Sun City West, AZ
Equal Housing Opportunity Employer
Sun City West is not a lot sales development

last year, when Arlen Realty sold 51% of its Korvettes subsidiary to the French retailer Agache-Willot, the new partners immediately announced plans to pump $15 million into the discount operation, pegged for promoting Korvettes as a quality and fashion merchandiser. K mart is expanding the number of items it carries, and its new advertising will push quality over price. Last year K mart converted its clothing departments from displaying apparel on tables and racks to an all-hanging layout.

K mart is also moving increasingly into secondary markets. Between now and 1983, some 65% of the 700 new stores it plans to build will be smaller, many in less-populated areas. That means tougher competition for regional discounters like New England-based Caldor and the Sunbelt's Wal-Mart Stores. But just as the regional supermarket chains have held their own against the national grocers, K mart may be stood off by Caldor and Wal-Mart, which lead FORBES' retail distribution yardsticks.

Theoretically, the discounters should be the big winners in a downturn, since consumers become more price conscious. The last slowdown, however, proved otherwise, and so might this one. Why? First, because consumers seem to go for quality in a recession. And, second, because the lower-income customers who spend at a Zayres are harder hit by an economic dip than the department store's upper-middle-class matrons, who are better able to cushion the impact.

Not that the department stores are smugly content with their formulas. R.H. Macy, undertaking a major renovation program, is converting its once low-profit budget departments into a series of high-margin boutiques offering housewares, gourmet cooking items and the like. Last year Federated's Columbus, Ohio-based Lazarus division opened three Capri Shops in new locations—small, elegantly decorated apparel stores designed to increase Lazarus' total market penetration. In the next five years Dayton Hudson (FORBES, *Dec. 25*)—whose strong 1978 showing includes a $151 million gain from the mid-1978 sale of nine shopping centers—will concentrate on expanding its Target discount stores, which specialize in higher-priced merchandise.

Such shifts, however, would not insulate department stores completely from the slowdown that seems to be coming. Stores that attract higher-income customers, like Federated, and the better-diversified operations, like Dayton Hudson, will weather any downturn better than chains like Carter Hawley Hale, which serve the more economically vulnerable middle class, according to analyst Stuart Robbins at Paine Webber Mitchell Hutchins. Profit margins will also be squeezed for those merchandisers that are expanding, such as Allied St

The chains that are building got s good news in 1978 that will pay o 1979 and far beyond. Last year Cong passed legislation that for the first allows retailers to use the investmen credit. The new tax amendment li the credit to the renovation of com cial structures over 20 years old—w mainly means refurbishing older, in city stores. But more than anything, legislation is a big philosophical wi retailers, as the credit had long limited to manufacturing plants equipment. With this entrée, reta are already planning to return to gress to get an extension of the cred new construction, where the real l term impact will be felt.

For this year at least, merchandi concentrated in soft goods should out form the durable-goods sellers. The t toward wearing more fashion-orie apparel shows no sign of fading, and not limited to women's clothes. "Dr ing up has aided menswear," says l ney's Neppl, "and the boys' suit busi has never been better."

Durable-goods retailers, on the o hand, have little to crow about. S economist Levine puts the real growt durables, like the appliances in w Sears made its name, at only 1.3% 1979—less than half the gain expecte soft goods. Add to that the high sh term interest rates that Sears is curre paying to finance its slower-moving ventory, and the result promises to modest 1979 for the world's largest tailer, which seems to be struggli find a formula it can live by.

The only real winners in retailing year are likely to be the drug chains, i no other reason than that their to paste, shampoo, proprietary drugs the like are bought in good times bad. The discount drugstores, like O based Revco Drug Stores, should fare ticularly well, as should those that de a large part of sales from recession-i lated prescription drugs, such as Flor based Jack Eckerd Corp. And even th drugstores with greater exposure in m cyclical general merchandise, like V green, the nation's largest chain, wil better than most retailers, since it often undercut the department store small appliances and toys.

If retailing in 1979 promises to weak, it should not match the disast 1974. Many economists look for an swing in consumer spending by the ond half of the year. That, says Me Lynch Vice President Jeff Feiner, me some retailing stocks will be ripe buying, since their prices usually rise fore consumer spending improves. will the spending improve? Replies Pa Webber's Robbins: "Retail stocks wil a better investment in the mid-19 than they are today." ■

Nature is supportive. So are we.
Taxes are equitable and stable in Georgia. Neither individual nor corporate income taxes bear an unreasonable proportion of governmental cost. And industry is given attractive location incentives. Georgia's new freeport law, for example, allows local governments broad options of exempting property taxes on various types of inventory. Our supportive tax system encourages industrial growth, creating jobs and naturally expanding the state's economy. It could provide just the environment your company needs to yield higher profits. For more information, including confidential site selection assistance, call or write: W. Milton Folds, Commissioner, Georgia Department of Industry & Trade, 404/656-3556, P.O. Box 1776, Atlanta, Georgia 30301, Dept. FB-94.
Georgia

Itel added significantly to its aircraft fleet with its agreement to purchase seven used Boeing 747 jets.

Capital equipment. It keeps us and our customers growing strong.

In any business, capital equipment means growth. And because we specialize in innovative ways to use capital equipment dollars more effectively, our expertise has helped Itel grow as much as it's helped our customers.

Since we concentrate on two of the largest categories of capital equipment—transportation and computer equipment—we've built a large, ever-expanding asset base in order to meet our customers' growing needs.

The result has been outstanding financial performance. In the first nine months of 1978 alone, Itel's revenues reached a new high of $453 million, compared to $262.3 million for the same period last year. And our net income for the first three quarters of the year increased to a record $29.7 million.

We've designed and built our success in capital equipment leasing with innovative marketing ideas. And as we continue to grow, the same type of creative thinking will serve our customers as well as it's served us.

Itel. We're a company that will grow on you.

For further information, write or call for our annual report. Itel Corporation, One Embarcadero Center, San Francisco, California 94111, (415) 955-0000.

ITEL

Itel stock is traded on the NYSE under the symbol I.

Sea water will force oil from the desert.

This 15,000-horsepower Ingersoll-Rand pump and nine others are moving treated sea water 60 miles inland for injection into a major desert oil field. There, the sea water restores underground pressure, boosting oil and gas production.

The pump shown, which weighs 55,000 pounds, was first factory tested And severe tests they were: the desert environment in which these pumps are installed requires the utmost reliability. Since corrosive sea water is involved, special metal alloys are required.

Ingersoll-Rand's advanced technology meets that challenge and many more. As a result, some 4.2 million barrels of sea water per day are being pumped through the 60-inch pipeline and into the ground.

Around the world, many different Ingersoll-Rand machines are being used to meet a wide variety of energy needs. Such as our continuous coal miners and haulage equipment. Air and gas compressors. Centrifugal and plunger pumps. Tool and hoists. Drills Gas and steam turbines.

We're helping innovative people capture and make better use of energy resources.

In fact, that's what we do best: supply the technological leadership to make ideas work. And we do it in a big way. Our sales in 1978 exceeded $2.3 billion.

Write for our Annual Report or product literature. Ingersoll-Rand Company, Dept. 849, Woodcliff Lake, NJ 07675

ENERGETIC IN ENERGY

Ingersoll-Rand.

ome companies in this business have forgot-n what happened to Aesop's grasshopper hen the snow began to fall.

Leisure

"THIS IS A BUSINESS that has gone crazy!" says Emanuel "Manny" Gerard of Warner Communications Inc.'s Office of the President—aning crazy with prosperity. "Of all movies that have ever grossed $30 lion or more in domestic rentals, 25% e been released in the last 12 nths!" Proudly he ticks off the latest dicts from the box office, where re-ts last year increased 17% as atten-ce climbed to 1.1 billion despite stiff e hikes: *"The Goodbye Girl* has grossed rner Bros./MGM $40 million," he goes "For MCA, Inc. *National Lampoon's nal House* has already passed $49 mil-. *Hooper* isn't a blockbuster, but it's l a $30 million movie. . . ."

nd that is how Hollywood is going 1979: racing full speed ahead, cranking out costly would-be blockbusters like Battle Creek, Mich. cranks out cornflakes: *The Star Trek Movie, Lord of the Rings,* the sequel to *American Graffiti, Superman*. . . . Fantasy is hot. Space is hot in the wake of *Star Wars.* Nostalgia is hot on the dancing heels of John Travolta's *Grease.* "We used to feel you had to be really good in the movie business," Gerard says. "That isn't true anymore."

Such euphoria is universal in the leisure industry, which has just finished one of the best years on record. In terms of FORBES' profitability measurements, it ranks fourth out of 30 industries. Last year Americans spent $2.8 billion going to the movies, $3.3 billion on records (up more than 17%), $5.5 billion on books (up 19%), $6 billion on boats and almost the same on photography. Close to $9 billion in advertising poured into television (a 15% increase), and the gaming tables of Nevada and Atlantic City picked up over $1.9 billion in lost change (a record). All in all the industry grossed close to $91 billion. A bonanza.

No amount of gloomy talk of impending recession can dampen spirits in this business. Even companies most vulnerable to economic downturn see not a cloud on the horizon. "It won't last forever, but at the moment there's *no* sign of it ending," says W. Thomas York, chairman of AMF, Inc. whose $100 tennis rackets and $100,000-and-up Hatteras yachts are selling well. Bowling, where Brunswick Corp. is AMF's only competition, is enjoying steady growth; some 20% of the population still frequents the bowling alley.

Leisure:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
TRAVEL												
Loews	20.6%	1	21.8%	0.8	10.4%	2	8.3%	4.1%	29.3%	1	19.7%	2
Hilton Hotels	17.1	2	24.4	0.9	14.8	1	11.0	14.2	4.7	6	22.0	1
Hyatt Corp	16.6	3	39.8	3.6	12.4	5	6.2	5.2	15.6	4	7.4	4
Marriott	11.8	4	13.7	0.8	8.5	4	6.6	4.3	19.1	2	14.5	3
Holiday Inns	10.1	5	12.6	0.6	8.7	3	7.2	5.6	7.6	5	2.3	5
Ramada Inns	5.1	6	6.4	1.5	4.4	6	3.9	2.9	15.7	3	–11.7	6
Medians	**14.2**		**17.8**	**0.9**	**9.6**		**6.9**	**4.8**	**15.7**		**11.0**	
ENTERTAINMENT												
Columbia Pictures	50.5%	1	57.0%	0.5	34.7%	5	14.9%	10.8%	10.8%	9	D–P	
MGM	26.3	2	30.8	0.9	16.9	4	15.4	12.3	11.4	8	D–P	
MCA	25.6	3	24.1	0.0	22.3	1	23.2	12.1	19.5	1	41.2%	1
CBS	23.8	4	24.0	0.1	21.0	2	19.9	6.2	12.3	6	15.6	6
Twentieth Century-Fox	22.7	5	35.4	0.4	26.2	3	16.2	10.3	16.3	5	D–P	
General Cinema	19.6	6	21.5	0.9	13.0	8	11.9	4.3	17.8	3	15.8	5
Warner Communctns	19.3	7	24.6	0.8	14.8	9	11.0	6.0	16.5‡	4	13.8‡	8
Amer Broadcasting	18.6	8	24.1	0.4	18.8	6	14.4	6.9	11.4	7	20.4	3
Metromedia	18.0	9	24.2	0.3	15.3	7	12.4	10.1	9.1	10	23.4	2
RCA	14.8	10	19.3	0.8	12.2	11	9.6	4.2	8.3	11	15.2	7
Walt Disney	11.4	11	12.7	0.0	11.4	10	10.0	13.3	19.2	2	16.6	4
Medians	**19.6**		**24.1**	**0.4**	**16.9**		**14.4**	**10.1**	**12.3**		**16.2**	

The question now is which of these high spirits can survive a bad recession? Consider what happened in 1974. It was not a uniform disaster by any means. Movies and television sailed through unscathed—cheap entertainment. Motorboats, on the other hand, dropped instantly from 550,000 units sold to 440,000 units, and have yet to recover. There were fewer skis sold. Camera sales fell from 13.7 to 11.7 million units. In constant dollars, record and tape sales were slightly down. AMF got clobbered on all fronts and suffered a 62% earnings decline in 1974. At Brunswick, which also produces sporting goods, in 1975 return on equ sank from a five-year average of 13% 7%. Return on equity at both Polaro Corp. and Eastman Kodak Co. fell t years in a row. Recreational vehicles, course, bore the brunt of the oil emb go and the recession that followed a have never recovered. Champion Ho

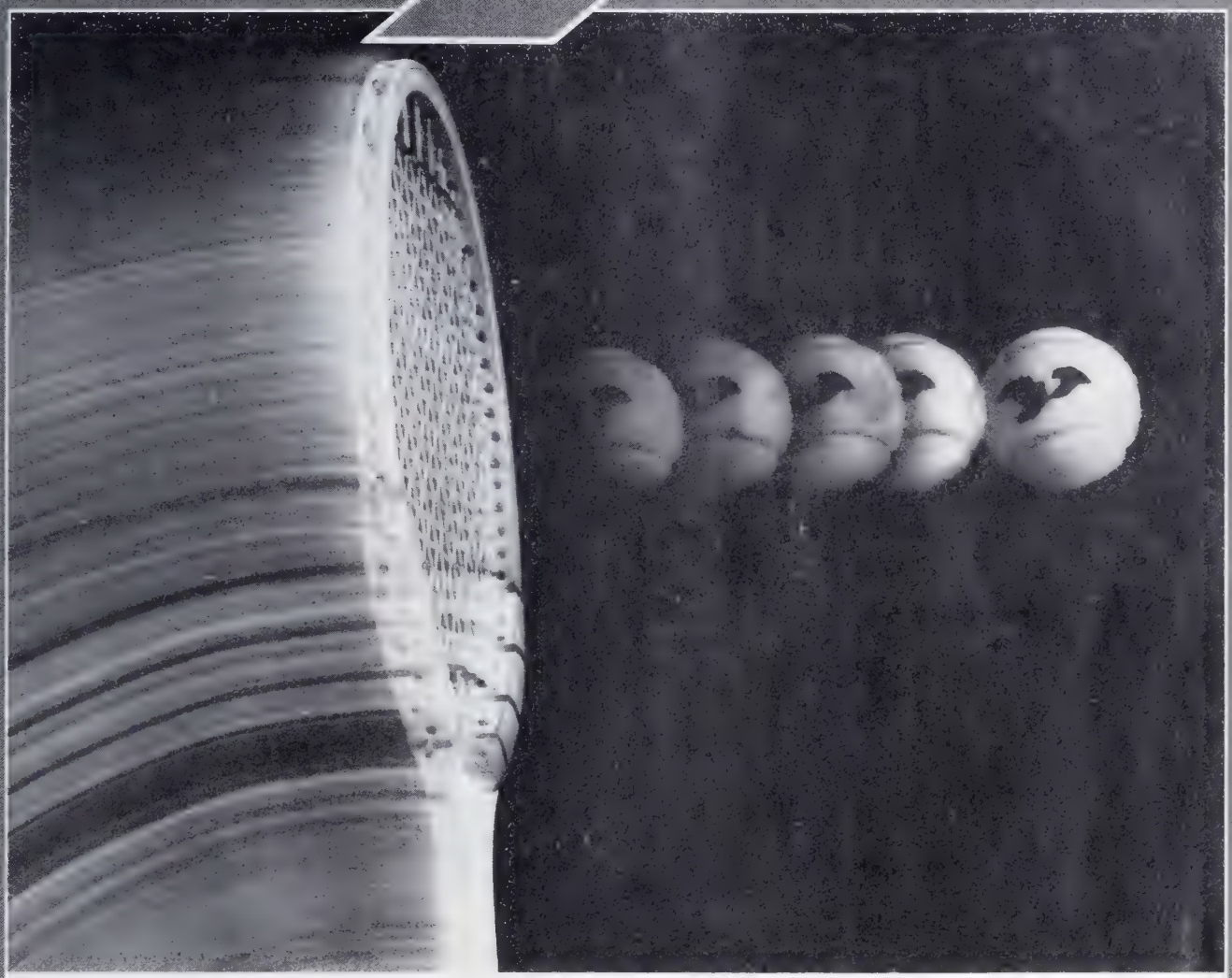
Leisure
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital					Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
RECREATION												
Tandy	35.9%	1	52.2%	1.6	23.4%	1	27.7%††	6.3%	29 1%‡	4	62.8%‡	1
Mattel	33.3	2	19.8	0.6	16.5	6	14.7	4.9	5.1	15	D–P	
Coachmen Industries	28.1	3	18.1	0.1	16.6	2	25.6	2.7	39.8	1	41.7	2
Franklin Mint	25.1	4	7.3	0.3	5.8	3	20.9	2.5	30.9	2	21.4	4
Parker Pen	20.1	5	22.3	0.2	20.3	4	18.5	4.4	30.2	3	24.5	3
Eastman Kodak	18.0	6	18.4	0.0	17.5	5	17.0	12.1	11.4	8	6.6	6
American Greetings	12.7	7	14.1	0.3	11.0	10	10.2	6.5	11.3	9	5.7	8
Fleetwood Enterprises	12.1	8	19.5	0.0	19.5	7	12.1	2.7	19.2	5	4.1	10
AMF	11.6	9	13.2	0.6	9.2	13	8.1	3.5	7.9	12	–5.5	12
Brunswick	11.3	10	12.0	0.5	9.5	11	8.7	4.3	11.0	10	5.4	9
Skyline	10.4	11	15.6	0.0	15.5	8	10.4	3.8	1.8	18	–9.0	13
Polaroid	10.4	12	13.6	0.0	13.7	9	10.4	8.9	12.7	7	6.1	7
Del E Webb	10.1	13	15.1	0.6	13.1	14	8.0	3.1	4.9	16	7.7	5
Outboard Marine	9.9	14	10.1	0.3	8.1	12	8.3	3.7	9.3	11	–0.6	11
Fuqua Industries	5.6	15	13.0	0.9	7.4	15	4.7	1.7	14.1	6	–11.9	14
Bell & Howell	4.4	16	7.2	0.3	6.0	16	3.7	2.4	6.6	13	–12.0	15
Philips Industries	def	17	12.7	0.6	9.5	17	3.1	2.2	3.5	17	P–D	16
Champion Home	def	18	def	0.3	def	18	def	def	5.5	14	P–D	16
Medians	**11.5**		**13.9**	**0.3**	**12.1**		**10.3**	**3.6**	**11.2**		**5.4**	
PUBLISHING												
Dow Jones	28.4%	1	31.8%	0.1	30.2%	1	26.3%	12.1%	13.0%	8	9.2%	13
Washington Post	22.8	2	33.2	0.2	25.9	5	16.5	9.4	13.7	6	25.2	3
Dun & Bradstreet Cos	22.7	3	25.1	0.0	26.1	2	22.8	9.2	10.8	12	9.1	14
Equifax	18.9	4	16.0	0.0	14.9	6	16.0	2.9	6.5	16	–0.5	17
A C Nielsen	18.6	5	20.8	0.0	21.1	3	18.8	7.5	15.0	4	13.4	10
Gannett	18.5	6	21.0	0.1	18.2	4	17.1	12.2	15.4	3	17.2	6
Capital Cities Comm	18.4	7	21.8	0.5	15.3	9	13.9	14.8	18.2	2	19.6	4
Times Mirror	17.3	8	22.0	0.1	19.5	7	15.2	8.8	13.1	7	14.1	7
Time Inc	17.1	9	22.2	0.2	16.8	11	12.9	7.9	12.4	9	17.5	5
McGraw-Hill	16.8	10	19.9	0.1	17.5	8	13.9	8.3	7.6	15	13.8	8
Harcourt Brace Jovan	15.2	11	11.4	0.6	8.1	10	13.1	3.4	15.0	5	9.6	12
Meredith	15.1	12	16.0	0.3	11.2	15	10.3	5.0	7.8	14	28.3	2
Knight-Ridder News	14.4	13	17.2	0.0	16.2	12	12.7	8.7	20.8	1	13.8	9
New York Times	13.9	14	11.6	0.1	10.5	13	12.4	4.1	9.4	13	7.7	15
RR Donnelley & Sons	13.4	15	15.0	0.0	13.6	14	12.1	7.3	11.5	10	11.3	11
Arcata National	12.9	16	13.7	0.3	9.9	16	9.2	5.2	11.1	11	48.3	1
Macmillan	6.9	17	7.5	0.4	6.3	17	5.9	3.7	4.6	17	7.3	16
Medians	**17.1**		**19.9**	**0.1**	**16.2**		**13.9**	**7.9**	**12.4**		**13.8**	
FOOD SERVICE												
Sambo's Restaurants	26.5%	1	15.0%	0.8	8.3%	1	22.7%	3.4%	35.9%	1	30.5%	1
McDonald's	25.7	2	24.2	1.0	13.0	2	14.2	9.9	30.0	2	29.2	2
Denny's	23.6	3	23.0	1.4	12.2	3	14.0	4.4	27.9	3	26.1	3
Gino's	13.6	4	12.2	0.6	8.6	5	8.8	2.1	18.2	4	5.1	5
Howard Johnson	12.7	5	13.3	0.0	12.4	4	12.1	6.2	8.3	5	10.9	4
Medians	**23.6**		**15.0**	**0.8**	**12.2**		**14.0**	**4.4**	**27.9**		**26.1**	
Industry Medians	**17.1**		**18.4**	**0.3**	**13.6**		**12.4**	**5.2**	**12.4**		**13.8**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ††Three-year average. ‡Four-year growth. P-D Profit to deficit. D-P Deficit to profit; not ranked. def Deficit.

National Bank of North America

THE BANK THAT GOES OUT OF ITS WAY FOR YOU



SERVE US YOUR TOUGHEST BANKING PROBLEM!

At North America, solving your toughest banking problem is the name of the game. Our team of banking professionals works closely with you to find solutions to your company's needs.

But in banking, talent has to be backed by muscle, just as in sports. Our team is backed by a Money Center Bank headquartered at 44 Wall Street. As of June 30, 1978, North America became the 35th largest bank in the U.S., with assets of over $3.9 billion. Add that to our financing and service capabilities nationwide and around the world, and you have a bank that can give your company the full credit it deserves.

So when you have a tough banking problem let North America show you how we can provide the winning solution.

CIT **National Bank of North America**

Member F.D.I.C. Over 140 offices in New York City, Long Island and Westchester

Pfister Tradition

Tradition is a treasured custom handed down through time. At the Pfister Hotel and Tower, "Salve" is our philosophy. Simply stated, "Salve" hails a warm welcome to those who enter. It assures you that the Old World charm and grace that greeted guests and dignitaries in the 19th Century is unchanged. We continue to display the same consideration and courtesy that was thought to be lost; nothing is more important to us than knowing you are well taken care of.

Tradition is a time honored practice, borne out of dedication and, above all, service.

Member
Preferred Hotel Association

The Pfister Hotel & Tower

424 E. Wisconsin Ave.
Milwaukee, Wisconsin 53202
CALL TOLL FREE
1-800-323-7500

Christopher Reeve as Warner Communications' latest Superman
A mini-industry packaged and delivered full-blown from the head of Hollywo

Builders Co., with 45% of sales in RVs, was still in the red last year.

Harold L. Vogel of Merrill Lynch offers a sensible but overly simplistic rule of thumb for trying to determine who will be hurt in a recession in this industry. The big ticket durable items are the most vulnerable. "The absolute dollars are important," he says. "If there is a recession they won't be buying motorcycles, boats and perhaps ski equipment with the same intensity as they were last year."

Bad news for hotels? In the last recession suddenly empty beds dragged earnings down 12.6% in 1975 at Marriott Corp. Chairman J. Willard Marriott doesn't think that will happen again. He points to the 15% increase in air travel caused by cheaper fares, which has helped keep occupancy rates above 80% in his chain. "The hotel business looks very strong," he says confidently. Analysts like Vogel doubt that the travel boom can last. "People had a last-fling kind of approach to last summer's low air fares," he figures. So while increased travel caused amusement park operators like publisher Harcourt Brace Jovanovich, Inc.'s Sea World, Inc. to show record attendance last year in Florida and California, the market may be near saturation and that consumer price resistance may be a problem this year.

Notice, too, that fancy price increases have hidden signs of stagnating or deteriorating markets in some areas of the leisure industry. Take television. Americans spend a dizzying six hours and ten minutes a day per household watching the box, and—perhaps not surprisingly—that appears to be the limit. "The viewing public isn't growing," notes analyst Robert M. Howitt of First Manhattan Co. Where, then, are the gains con from? Last year advertisers were picl up the tab for soaring production c But will cost-conscious advertisers tinue paying higher and higher charges in a period when both infla and recession will be squeezing own profits? And if they won't, how TV continue to produce gains in an i tionary era? In short, TV broadcas may be becoming mature.

Book publishing is another examp a boom that may be peaking. Stiff hikes are covering up a decline in sales in textbooks for companies MacMillan, Inc., McGraw-Hill, Inc. Harcourt Brace Jovanovich as post-b boom classrooms shrink. Hardc trade books, which now easily sta $8.95 and run as high as $24.95, already priced themselves out of muc their old markets. True, *Gnomes*, a seller at $17.50, has grossed over million and will bring an estimate million to the bottom line of Times ror Co.'s Harry N. Abrams, Inc. But is an exception.

Of course there are leisure compa that will have a relatively easy weathering a downturn. The ever-ch ing fortunes of film producers de more on the popularity of the movie on swings in the economy. (*The Exo* grossed $91.4 million in 1974.) Or sider the gambling stocks, which di amazing number on the stock ma this year: rising 50% in a few weeks falling almost as fast. After the succe Resorts International, Inc. in Atla City (revenues averaged $630,000 a for the first six months), everyone w ed a piece of the take. For the first in years, Wall Street saw the small in

come back to bet on the market. Del Webb Corp., Ramada Inns, Inc. and tt Corp. all rose on speculation that would enter the gaming fray. Most ysts think that it's just a matter of e before there are casinos in New k and gambling turns into the entertainment industry's biggest jackpot. Old- operations like Metro-Goldwyn-er, Inc. and Hilton Hotels Corp., ch make 60% and 40%, respectively, heir income from casino operations Nevada, stand to benefit.

he restaurant business also may have e going for it in a downturn than ts the eye. Restaurants now take of all the money spent on food in country. True, you don't go out to

t year Americans spent 8 billion going to movies, 3 billion on records, $5.5 ion on books, $6 billion on ts and almost the same on otography. About $9 billion dvertising poured into television, and the gaming tables Nevada and Atlantic City ked up almost $2 billion. industry grossed close to l billion. A bonanza.

lobster if you're worried about the ly budget. But today only 12% of the g-out trade goes to restaurants that customers with checks of over $5. t restaurants are inexpensive fast- establishments. While the projected in beef prices may cause McDonald's all problem, fast food probably isn't itive to overall economic conditions. nalyst Robert L. Emerson of Salo- Brothers puts it: "You don't take a to McDonald's. It's more of an ad- t to a shopping trip or your job." Donald's has slowed from its 30% th rate of a few years ago, but not far. After all, 500 new sets of golden es are slated to rise in 1979 alone.

rtually every leisure executive scoffs he mere prospect of a downturn. at you are seeing are sociological ages," argues Warner Communica- s' Gerard, by way of denying that agers may find it hard to shell out 8 for new disco albums if the family get starts feeling a pinch. He points to w study that shows most record buy- re a mature 25 years old and up. "The th in this business has been *explosive* e 1976," he says. "My *mother* can ond to Fleetwood Mac [a rock group, hose who haven't yet responded]."

ertainly some of these optimists are g to be wrong. Traditionally the for- s of this industry dance to the music ersonal disposable income. If that s down in a recession, it becomes a e of musical chairs. ■

Well planned growth is essential to Phoenix. So it's a major priority. And you'll sense that the minute you contact us.

Mayor Margaret Hance, and Jim Haynes, Executive Vice President of the Phoenix Metro Chamber of Commerce, will personally and enthusiastically help you avoid the little hassles, and make your move as smooth and effortless as possible.

You'll want to avoid costly delays. So we'll see to it that you have all the inside info on site selection, zoning, city ordinances and environmental goals and the like.

There are some other "moving" reasons to relocate in Metro Phoenix too: like year round sunshine and a resort climate, a friendly tax structure, right-to-work laws, a growing skilled work force, and easy access to all major markets.

We think it's a smart move.

And we want Phoenix to be your forwarding address!

Metro Phoenix

Chambers of Commerce

Get the facts:
Richard C. Ireland, Manager, Economic Development
Phoenix Metro Chamber of Commerce
34 W. Monroe Street Dept. FO1
Phoenix, Arizona 85003
Telephone: (602) 254-5521

TOMORROW

WHERE WE STARTED IS NOT WHERE WE'RE GOING

Seventeen years ago AMI pioneered an industry: professional hospital management. We emphasized the business-like control of quality health care delivery. And we still do.

But today we do more than own and manage hospitals. AMI delivers 50 different kinds of health care services to 400 communities in the U.S., Europe, Latin America, the Middle East and Africa.

For example, AMI shared medical services help many hospitals provide the latest in medical technology without investing in expensive equipment and personnel. Our mobile CAT Scanner service, the first of its kind in the world, is the newest of these shared programs.

To give hospital managers control of health care costs, AMI has created computerized systems for budgeting, labor and financial analysis. These systems are in use now in hospitals in the United States, Ecuador, England, France and Switzerland.

To help communities put modern hospitals where they are really needed, AMI has created a pre-engineered modular design specifically for hospitals, which greatly reduces construction time and cost.

That's where AMI is going: toward carefully planned, cost-effective, quality health care services of all kinds, wherever they are needed. It is a worthwhile direction to take.

AMI
The International Health Care Services Company

©1978

Write to The Information Center at American Medical International, 414 North Camden Drive, Beverly Hills, California 90210

This road was built with 2000 tons of scrubber sludge from Duquesne Light.

And a little alchemy from IU Conversion Systems.

Like a lot of coal-burning utilities, Duquesne Light has installed smokestack scrubbers to keep sulfur dioxides and fly ash from polluting the air. But because scrubbers turn those contaminants to sludge, a way must also be found to dispose of this waste material without polluting the land. Especially since it's estimated that enough sludge is produced each year to cover a city of 100,000 people to a depth of three feet.

Today, the Poz-O-Tec® method developed by IU Conversion Systems provides a creative answer by turning this sludge into a structurally sound and environmentally acceptable material that can be used for landfill, embankments and other applications. In the case of the Poz-O-Tec installation at Duquesne Light, some of the chemically stabilized waste has been used as base material for a road in Indiana Township, PA. For a parking lot in Uniontown, PA. And for landfill at the utility.

With contracts from power plants in Illinois, Indiana, Ohio, Pennsylvania, Kentucky and Texas that produce more than 13 million tons of sludge per year, IU Conversion Systems has twice the business of its two major competitors combined. And some of these contracts extend for 10-20 years. In each case, the Poz-O-Tec system is providing economical waste management. And the treated material safeguards the environment, while serving a practical purpose.

IU Conversion Systems is more than the leader in its field. It's an important subsidiary of IU International, whose interests in industrial products and services, utilities, land transportation, ocean shipping, distribution and agribusiness add up to $2.3 billion in annual revenues.

For further information on the Poz-O-Tec system, write B. Lawrence Seabrook, Jr., President, IU Conversion Systems, Inc., 115 Gibraltar Road, Horsham, PA 19044. To learn more about IU International, write Corporate Affairs, IU International, 1500 Walnut Street, Philadelphia, PA 19102.

IU International

eople buy groceries in good times and bad, ut take your eye off the basics for one minute this business and you're in trouble.

Supermarkets and wholesalers

N Oct. 2, Food Fair, Inc., the nation's eighth largest supermarket chain (sales, $2.5 billion) anınced it was seeking court protection m its creditors under Chapter XI of Federal Bankruptcy Act. Two days er, Great Atlantic & Pacific Tea Co., second largest chain, reported its secd consecutive quarterly loss, $6.9 mil-n. A month after *that* came the anıncement by $759 million (sales) Al-d Supermarkets that it, too, was filing under Chapter XI, in part because of "repercussions" from the Food Fair debacle.

What's going on here? With grocery prices rising steadily, aren't the grocers minting money? After all, the farmers keep telling us that high food prices aren't *their* fault. Well, forget it. This industry is not getting rich. It is so competitive that it is actually squeezed between the rising costs of growing and moving food and all those budget-conscious consumers. The median return on capital over the past five years was a barely respectable 8.8% for the industry as compared with 13.6% for the health-care industry.

The simple fact is that consumers worried about rising prices shouldn't be picketing supermarkets; they should have picketed the farmers driving tractors around the White House last year.

Not that mismanagement didn't play a role in the Food Fair and Allied Supermarket downfall; it did. But the point is that

Wholesalers:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales	Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
FOOD DISTRIBUTORS												
Farm House Foods	40.3%	1	16.2%	2.9	7.0%	1	17.8%	0.4%	25.7%	2	62.6%	1
Cal-Maine Foods	33.3	2	def	1.2	0.4	10	12.4	def	29.1	1	50.8	2
Super Valu Stores	24.5	3	26.6	0.7	16.9	3	16.2	1.2	15.8	9	21.9	3
Malone & Hyde	19.9	4	19.0	0.3	16.1	2	17.7	1.3	17.1	7	16.5	6
Nash Finch	18.3	5	15.5	0.3	11.4	4	15.8	1.2	17.6	5	18.2	5
Fleming Companies	17.7	6	16.2	0.3	13.6	5	14.4	0.7	17.4	6	13.1	9
Wetterau	17.4	7	15.9	0.4	12.3	6	13.6	1.2	15.1	10	11.2	10
Sysco	17.0	8	16 8	0.6	12.2	7	13.6	1.3	21.9	4	16.5	7
Super Food Services	16.0	9	15.2	0.4	10.1	11	9.9	0.4	14.2	11	20.3	4
Flickinger	14.5	10	14.0	0.3	11.4	8	12.8	0.7	16.8	8	14.4	8
Pac Gamble Robinson	13.7	11	13.5	0.1	11.9	9	12.5	1.1	12.3	14	10.8	11
CFS Continental	11.3	12	7.3	0.7	6.1	12	8.5	0.8	23.2	3	5.8	12
Coca-Cola Bottling NY	9.4	13	11.0	0.5	7.6	13	7.7	3.4	13.4	13	–2.0	13
Di Giorgio	4.8	14	10.8	0.7	7.4	14	4.3	1.0	10.5	15	–11.6	14
Scot Lad Foods	def	15	def	1.1	def	15	1.4	def	8.4	16	P–D	15
Intl Foodservice	def	16	def	1.2	def	16	def	def	13.6	12	P–D	15
Medians	**16.5**		**14.6**	**0.6**	**10.8**		**12.7**	**0.9**	**16.3**		**13.8**	
OTHER WHOLESALERS												
Lowe's Companies	20.8%	1	21.7%	0.4	16.3%	1	15.7%	3.7%	17.9%	1	15.4%	2
Univar	16.3	2	10.2	1.3	6.6	4	10.4	1.1	17.1	2	22.2	1
Foremost-McKesson	16.1	3	17.9	0.7	9.8	5	8.4	1.6	7.9	6	8.3	6
Universal Leaf	15.6	4	15.5	0.0	14.3	2	14.6	2.4	9.7	5	15.4	3
Amer Hospital Supply	13.6	5	14.9	0.4	11.4	3	12.0	5.4	16.9	3	14.5	4
Bergen Brunswig	5.5	6	13.4	0.6	10.2	6	5.5	1.2	10.1	4	13.5	5
Medians	**15.9**		**15.2**	**0.5**	**10.8**		**11.2**	**2.0**	**13.5**		**15.0**	
Industry Medians	**16.1**		**15.1**	**0.6**	**10.8**		**12.5**	**1.2**	**16.3**		**14.5**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. P–D Profit to deficit. def Deficit.

this industry is so competitive that managements have little margin for error.

By midautumn, food suppliers and distributors in the eastern half of the country, where the three troubled chains operate, began to worry. Dozens of them had been hit badly by Food Fair's insolvency. That was not surprising, given the Philadelphia-based chain's reputation for cozy dealings with relatives and friends of management (FORBES, *Aug. 21 and Oct. 30*). But what about the Allied Supermarkets bust? Was the domino effect at work? "We'll have a disaster on our hands," said a frightened supplier.

But in this business as in most businesses, good management still makes a big difference. In spite of the fact that few stores net more than 20 cents bag of groceries, a number of super ket chains are managing to flourish.

The companies that have long ra high on the FORBES' yardsticks— Albertson's, Supermarkets General, way Stores—are all doing very those three chains averaged 20.1% turn on equity in the past 12 month

Supermarkets:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
MAJOR CHAINS												
Lucky Stores	23.1%	1	24.9%	0.5	17.7%	2	16.2%	1.7%	14.9%	3	10.8%	5
Winn-Dixie Stores	21.6	2	21.5	0.2	18.2	1	20.4	2.0	16.0	1	12.6	4
Safeway Stores	14.8	3	15.1	1.0	9.2	3	11.2	1.1	13.8	4	8.1	8
Southland Corp	14.8	4	15.9	0.6	10.3	4	10.4	1.9	15.0	2	15.2	2
Stop & Shop	14.0	5	13.6	1.0	8.1	7	8.1	0.9	10.3	8	14.5	3
Supermarkets General	13.0	6	17.2	0.8	10.4	8	7.9	0.9	11.2	6	9.0	7
Kroger	11.9	7	15.0	0.4	10.5	6	8.7	1.0	10.0	9	10.5	6
American Stores	11.6	8	12.3	0.4	9.5	5	9.4	0.8	12.1	5	17.1	1
Jewel Companies	10.3	9	9.4	0.6	6.3	9	6.9	0.9	10.5	7	2.1	9
Food Fair	2.3†	10	**	**	**	10	2.9†	**	**		**	
Great Atl & Pac Tea	def	11	def	0.3	def	12	def	def	3.3	10	P–D	10
National Tea	def	12	12.9	0.4	10.0	11	def	0.8	–5.2	12	D–D	11
Allied Supermarkets	def	13	def	9.9	def	13	def	def	–0.6	11	D–D	11
Medians	**11.9**		**14.3**	**0.6**	**9.8**		**8.1**	**0.9**	**10.9**		**9.8**	
REGIONAL CHAINS												
Niagara Frontier Svc	26.9%	1	22.6%	0.2	18.0%	1	23.2%	1.9%	27.9%	1	31.9%	4
Dillon Companies	25.2	2	24.5	0.1	20.6	2	20.7	2.0	26.0	3	24.0	6
Albertson's	23.8	3	28.0	1.3	14.6	4	15.3	1.6	20.7	6	22.8	7
Bruno's	21.1	4	25.4	0.8	15.2	5	13.9	1.6	26.1	2	25.7	5
Weis Markets	20.4	5	20.5	0.0	20.6	3	20.4	4.7	13.2	13	14.9	11
Circle K	17.1	6	20.7	0.3	15.8	6	12.8	2.4	22.2	5	13.3	13
Fred Meyer	16.6	7	18.0	0.6	11.9	8	11.3	2.2	18.2	8	16.5	8
Hannaford Bros	16.0	8	15.3	0.4	11.3	7	12.2	0.9	15.5	10	14.4	12
Fisher Foods	15.3	9	11.8	1.6	6.9	15	8.8	0.7	20.2	7	7.8	17
Pneumo Corp	15.3	10	9.6	0.3	8.0	10	11.3	1.0	16.6	9	109.7	1
Marsh Supermarkets	15.3	11	20.5	0.7	13.0	12	10.8	1.2	11.6	16	15.4	9
Godfrey	14.2	12	13.0	0.7	8.8	14	9.2	0.8	12.5	15	12.5	14
Foodarama Supermkts	14.2	13	11.4	0.2	10.0	11	11.2	0.7	3.2	23	D–P	
Waldbaum	13.8	14	11.4	0.3	9.3	9	11.3	0.7	15.2	11	15.2	10
Giant Food	13.5	15	12.5	0.5	9.1	13	9.7	1.1	9.9	18	9.5	16
Cullum Companies	12.2	16	21.1	1.3	11.0	17	7.7	1.2	25.4	4	11.7	15
Ruddick	10.3	17	15.2	0.5	10.7	16	8.1	1.7	10.4	17	37.8	3
Alterman Foods	9.2	18	11.3	0.3	9.5	18	7.3	0.9	12.8	14	3.3	19
Borman's	6.4	19	8.2	0.6	6.0	20	5.2	0.3	8.5	20	43.9	2
J Weingarten	5.8	20	def	0.7	def	19	5.2	def	9.6	19	–2.5	20
Munford	4.6	21	def	1.0	def	21	5.0	def	14.5	12	–12.1	21
Thriftimart	3.1	22	9.9	0.1	9.3	22	2.9	1.0	4.3	22	7.5	18
Shopwell	def	23	3.7	0.7	3.1	23	1.3	0.2	7.8	21	P–Z	22
Pueblo International	def	24	16.4	0.6	11.5	25	def	1.6	–0.2	26	P–D	23
Arden-Mayfair	def	25	1.2	1.6	2.8	24	0.9	0.1	–4.9	27	D–D	25
First Natl Supermkts	def	26	def	0.5	def	27	def	def	2.8	24	D–D	25
Shop Rite Foods	def	27	def	0.3	def	26	def	def	1.6	25	P–D	23
Medians	**13.8**		**12.5**	**0.5**	**9.5**		**9.2**	**1.0**	**12.8**		**12.9**	
Industry Medians	**13.3**		**13.0**	**0.6**	**9.5**		**8.8**	**0.9**	**12.1**		**11.3**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. †Four-year average. P-D Profit to deficit. D-D Deficit to deficit. D-P Deficit to profit; not ranked. P-Z Profit to zero. def Deficit. **Not available; not ranked.

"Perhaps you gentlemen may find your current copying costs a little high. I would like to remind you that the original figures did not include such items as sending out for suppers, extra heat after five o'clock, or Miss Hansen, our best stapler, who has developed 'copier elbow'."

Even without the problem of "copier elbow," figuring out all the costs of high-volume copying is complicated. The best deal is the sum of many things. We have taken every known variable—except Miss Hansen—and programmed them all into a computer analysis that is very thorough and completely impartial. We would like to discuss how the analysis can give you a better picture of your costs.

As a bonus, we offer what people are calling the best copy quality in the business. Service is also of Kodak quality. You probably can't get a better deal. We'd like to demonstrate.

Write: A. Angert, Eastman Kodak Company, CD9303, Rochester, NY 14650.

Kodak can cure copier-cost confusion —fast, fast, fast.

Kodak Ektaprint 150AF copier-duplicator

Eastman Kodak Company, 1978

LOOK TO FLORIDA
as the site for your regional, corporate or administrative headquarters

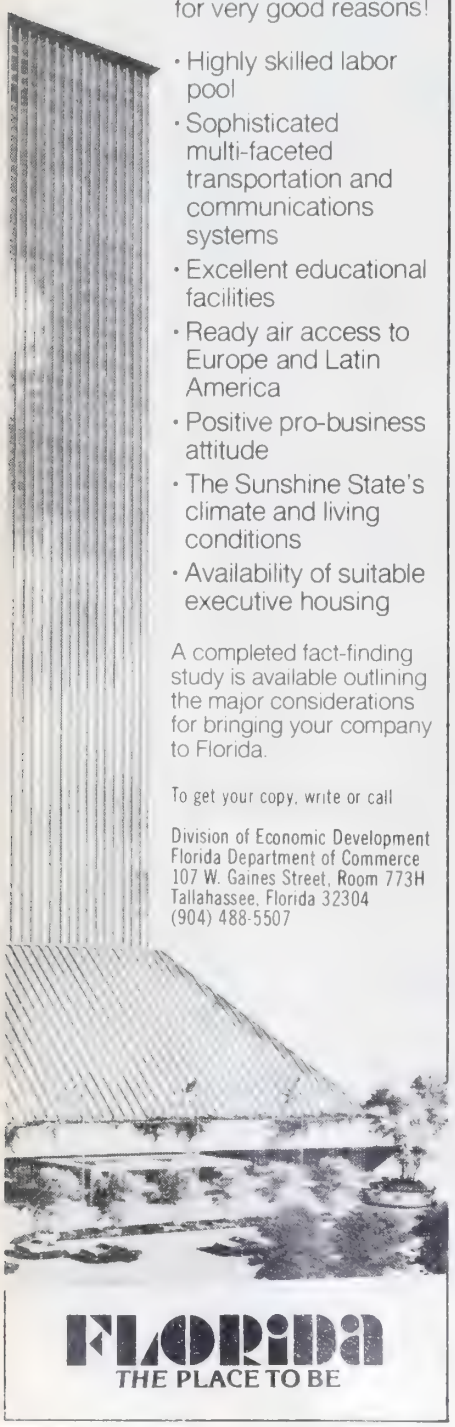
Many others have, and for very good reasons!

- Highly skilled labor pool
- Sophisticated multi-faceted transportation and communications systems
- Excellent educational facilities
- Ready air access to Europe and Latin America
- Positive pro-business attitude
- The Sunshine State's climate and living conditions
- Availability of suitable executive housing

A completed fact-finding study is available outlining the major considerations for bringing your company to Florida.

To get your copy, write or call

Division of Economic Development
Florida Department of Commerce
107 W. Gaines Street, Room 773H
Tallahassee, Florida 32304
(904) 488-5507



FLORIDA
THE PLACE TO BE

Will recession darken the industry's prospects substantially? No. People buy groceries in good times and bad, after all. In the 1974-75 recession, supermarkets did surprisingly well. In this low margin business (a profit of 1% on sales is considered sizable, even in good times) the main threat is always losing touch with the market. Slipping up in just one area, a western supermarket executive, points out, can spell the difference between survival and failure: "If the consumer can't depend on the quality of your meats, for instance, she's going to find herself a new store." As Giant Food Chairman Joseph Danzansky puts it, "You've simply got to take care of the basics." Especially so in a recession year.

You've also got to face the fact that groceries *per se* will never be terribly profitable. A great deal of the supermarket industry's creativity is now going into building 40,000 square foot-plus "superstores"—big units containing plenty of nonfood items like prescription drugs, cosmetics, motor oil, housewares. "These are not major purchases; they're routine purchases," explains Lou Lowenstein, president of New Jersey's Supermarkets General, parent company for the successful east coast chain of Pathmark supermarkets. "We have black and white TVs, but these are little ones, the ones that sell for $70 or $80. We'll take you up to Farberware, but we are not going to take you into Cuisinart. It's a series of things—paint, automotive supplies—that are day-to-day shopping items and can be obtained in one place."

The addition of these lines does two things for the chains: increases the size of the average sale—and hence the profit per customer—and broadens profit margins because these items, while not hugely profitable, are more so than groceries. It suits the customers' convenience, too. First of all, there's the "women's liberation factor." Today's housewife is often a busy, working woman, and she doesn't like to run around to three different stores every week to pick up all the different items she needs.

Second, there's the "eating out factor." Dollars spent in restaurants and fast-food establishments are continuing to cut into dollars spent on meals prepared at home. (A new Conference Board study recently put the away-from-home figure at 27%, up from 20% 15 years ago.) That pinches already-thin food profits in supermarkets, forcing grocers to rely on higher-margined nonfood items.

The predictable result: Superstore operators like Pathmark and Giant Food, who have exploited these developments, are battering the A&Ps and Food Fairs, who still have plenty of old, smallish grocery stores in decaying urban areas. "The A&P people just forgot all about what the trends were in the country," says one supermarket executive. Under Chief Executive Jonathan Scott, a brig 48-year-old ex-Albertson's star, A&P building supermarket-pharmacy com nation stores called Family Centers. I it's a belated move.

It would be a serious mistake, course, to assume that the "superstor strategy by itself guarantees success the food retailing business. Woe to t supermarket chain that underestima the consumer's value-consciousne which continues unabated in the stagf tion hangover from the mid-1970s. T most recent fad is "generic" produ that are austerely wrapped and are pric well below private-label items.

And woe to the supermarket that lo touch with its local market. Independe grocers, with their strong neighborho orientations, are flourishing these da frequently in stores discarded by t likes of A&P. The supposedly greater

Superstores like Pathma and Giant Food are batteri the A&Ps and Food Fairs wl still have plenty of old sma ish stores in urban areas.

ficiencies that big chains can use to m cle the little guys are readily offset by t efforts of giant wholesalers like Su Valu, Malone & Hyde and Fleming C These firms continue to earn solid pr its by providing the independents w lower-cost warehousing, accounti promotion and so forth than small bu nessmen could manage themselves. (S per Valu, Malone & Hyde and Flemi Cos. have attained sparkling returns equity for the past five years, rangi from the high teens for Fleming to t mid-20s for Super Valu.)

Step back for a minute and take a lo at what's going on here: Independe grocery stores are thriving. Huge chai like Food Fair and A&P are fighting survival. That's not to say there are advantages to bigness in food retaili there are—in advertising, for instan But this is not an industry that shou attract much federal trust-busting.

Progressive Grocer thinks it has spott a "new structural pattern" in the fo retailing industry emerging as a result these trends: Supermarket chains tend concentrate on urban-suburban are where they can build huge superstor independents are winning business less populated areas with smaller b market-sensitive supermarkets. "Co ceivably," *Progressive Grocer* opined i recent issue, "there could be less dir competition between chains and in pendents in times to come. Chains m be pitted primarily against other chai in the major metro areas, with indepe dents battling mainly among themselv in the outlying territories." ■

We're the oil company you don't buy gasoline from.

But maybe your gasoline company buys its crude oil from us. And maybe we're the people your utility company gets its coal from, and maybe the paint finish and chrome plating on your car comes from us along with the shiny finish on those golf clubs. Not to mention the fertilizer for the garden and Fido's flea collar.

We're Occidental Petroleum Corporation, a natural resource company involved in oil and gas production here and abroad, in the development of new energy sources like oil shale and geothermal, in a broad range of chemical products through our Hooker Chemical Company and in the production of coal by the Island Creek Coal Company.

You may not see the Oxy symbol on the neighborhood gas station, but that doesn't mean we're not there.

Occidental Oil and Gas Company • oil and gas exploration and production • crude oil sales and transportation • oil shale development • geothermal energy • minerals

Island Creek Coal Company • high-quality metallurgical and steam coals for domestic sale and export

Hooker Chemical Company • chlor-alkali products • industrial chemicals • metal finishing • agricultural chemicals • fertilizers • plastics • pet products

If you would like to know more about Occidental, write to the Public Relations Department.

Occidental Petroleum Corporation

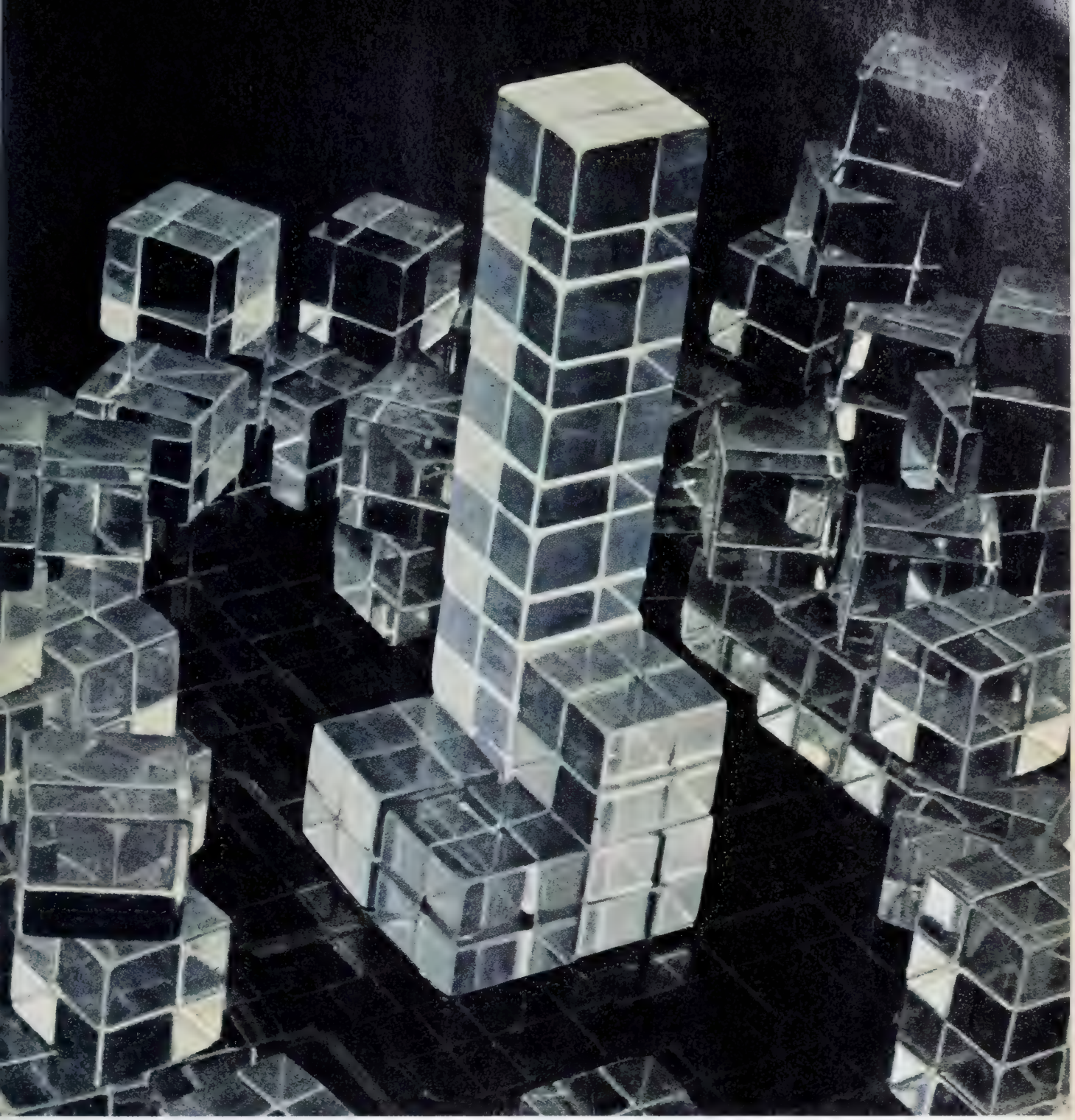
10889 Wilshire Boulevard, Los Angeles, California 90024

The way we put it all tog

Today's executive knows information is an asset as significant as plant and equipment, as valuable as the capital resources that can sustain and build a business.

In the IBM Data Processing Division, we're working with organizations large and small, shaping systems that make information a more productive asset – capturing it, managing it, distributing it to the people who can use it most effectively.

Because no two businesses are exactly alike their information needs, we offer a wider range choices in products and programming than ever befo – and the skills to apply them. An information syst should enlarge management options, not foreclo them; that's why we've developed a network archite ture that can be as open-ended as your own plans f change and growth. And since the bottom line for a



er is what sets us apart.

tem is its ability to keep information available, we r the support and the service you've come to expect m a leader.

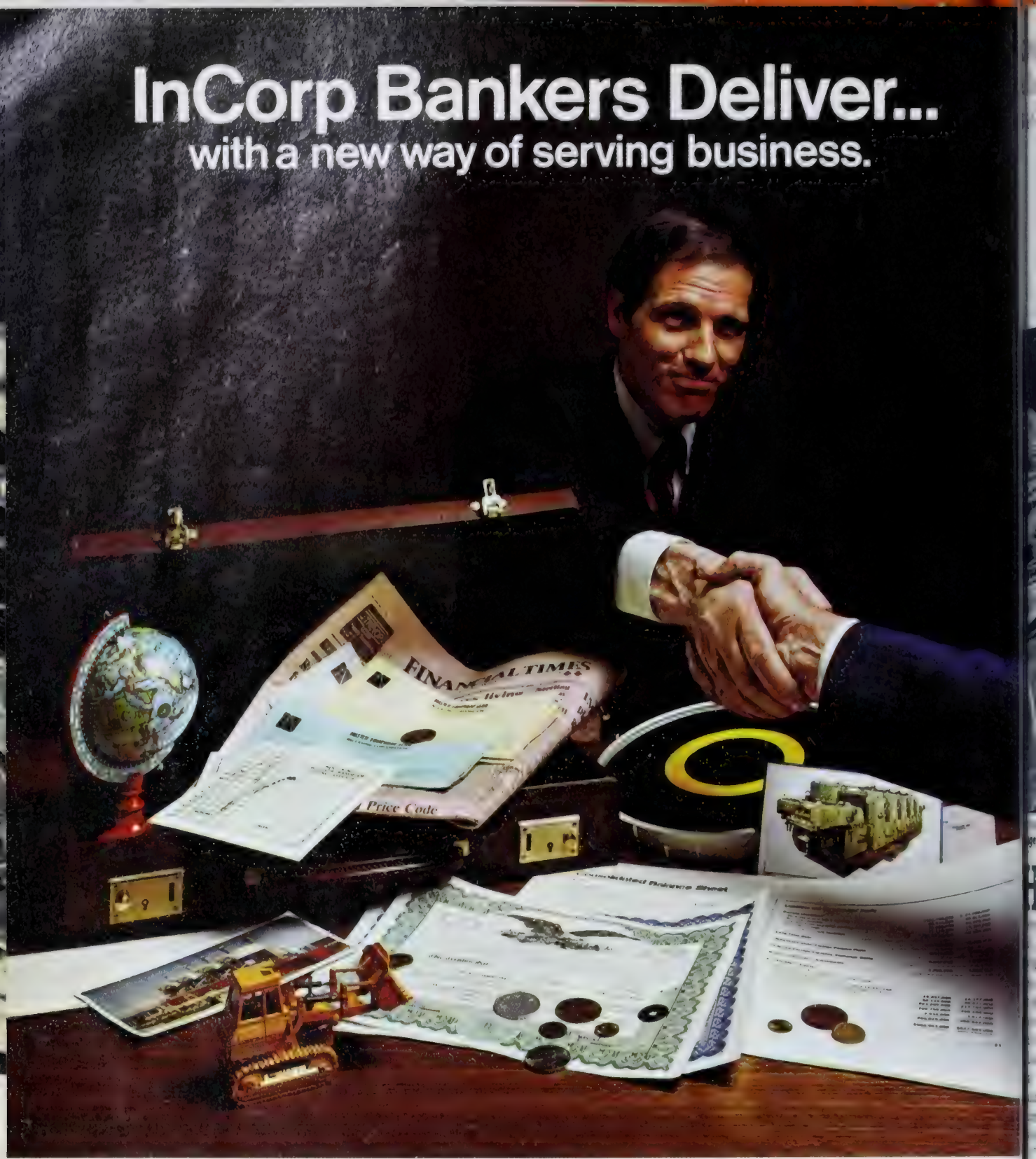
We add something else – something that comes h time. The perspective to see that it's not just what a processing can offer, but what your business objec- es require. The experience to understand that ay's decisions in building an information system must also be judged in the light of tomorrow's needs.

In short, the sum of all we offer is something greater than its parts. That's why the way we put it all together is what sets us apart.

IBM

Data Processing Division

InCorp Bankers Deliver...
with a new way of serving business.



Exit the traditional lending officer. Enter the InCorp Banker.

The more complete financial services resource. So complete your company can deal with fewer banks.

One InCorp representative can deliver any of the capabilities of a $2.7 billion multi-national financial services organization... from appraisals to pension fund management to leasing and more, together with imaginative worldwide financing.

If your company isn't getting the efficiency of a one-stop financial resource, talk to an InCorp Banker.

Telephone Paul M. Diesel, Vice President, at (401) 278-5818.

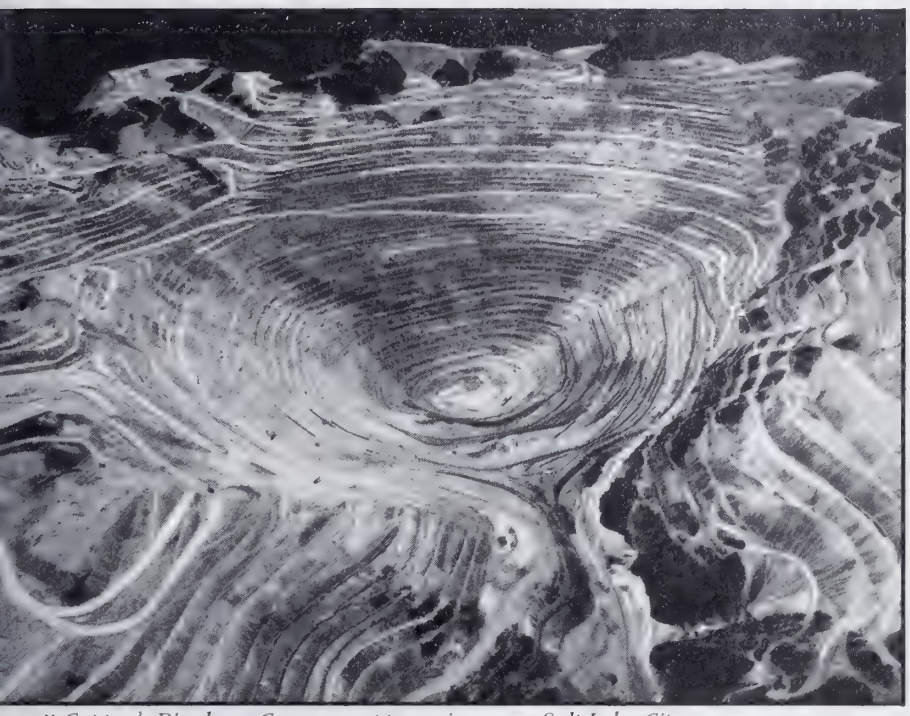
INCORP
INDUSTRIAL NATIONAL CORP

A financial services company

Industrial National Bank, Prov., R.I. • Inleasing Corp., Prov., R.I. • Ambassador Factors, New York, N.Y. • Mortgage Assoc., Inc., Mil., Wis • Kensington Mortgage and Finance Corp., Mil., Wis. • Southern Discount Co., Atl., Ga. • Information Sciences, Inc., Prov., R.I. • Westminster Properties, Inc., Prov., R.I. • International Appraisal Co., Fair Lawn, N.J. • INB Appraisal Co. of Canada, Ltd., Ont. • Industrial Capital Corp., Prov., R.I. • Industrial Nat. Mortgage Co., Prov., R.I. • C-O-M Service Bureau, Inc., Boston, Mass

is year's recession isn't going to hurt the uminum industry. Nothing in sight prom-s much help for the ailing copper industry.

Metals



ecott Copper's Bingham Canyon copper mine near Salt Lake City
e overseas copper stockpiles continue to prevent adequate price increases.

ISTORICALLY, copper producers have carried drama's two masks: When industrial activity is high, ything is all smiles; when activity is the producers weep. To survive the ngs in this manic-depressive busi-, companies must earn enough in the ears to carry them through the lean . Smile, wail, smile, wail—this has the established pattern.

ast year should have been a fat one, a for smiles. The Federal Reserve d's Index of Industrial Production ntly hit a record 148.4, light-years ve the 1974-75 recession mark of 7. Worldwide copper shipments, at t 6.5 million tons, were back to their 3 boom level. And copper prices re-nded from 51 cents per pound in 1975 ver 70 cents late in the year.

far so good. The normal pattern ns to be repeating.

las, those price increases were virtu- meaningless. "We hurt," winced ard R. Grantham, treasurer of Cy- Mines, as 1978 was ending. "We are not in a position to be anywhere a good year. And the odds are that 1979 will be the same as 1978." The problem: A worldwide copper glut—caused primarily by less developed nations' uneconomic mining and stockpiling—has precluded U.S. producers from raising prices enough to provide an adequate return.

As a result the producers continued to lose money on copper. Kennecott Copper, whose 400,000-ton-per-year capacity makes it the nation's leading domestic producer, sold 96,300 tons of copper at an average 63.7 cents per pound in 1978's third quarter. The price was fully 10.5% above 1977's price, and the volume was almost double. But despite the rising price and volume, Kennecott *lost* $10 million. As the yardstick figures below show, Kennecott's latest 12-month return on equity is a sickly 0.7%. Kennecott management is once again fighting a takeover from Curtiss-Wright; shareholders can only hope that newly hired chief executive Thomas D. Barrow, formerly of Exxon, can turn the giant around. And this in a year when Kennecott should have been coining money for the downturn!

Kennecott was not alone. Cyprus Mines reported a loss on its copper operations for last year's first nine months. Even Phelps Dodge, whose copper business is now marginally profitable, complains of skimpy copper margins.

General Cable and Revere Copper managed to turn in decent equity returns (12.7% and 11.5%, respectively), and boost the copper producers' median equity return because they aren't really copper companies. Over half of Revere's revenues and earnings derive from aluminum; the remainder comes from fabricating copper it buys (at distressed prices) from such major producers as Kennecott. And General Cable manufactures wire and cables as well as electrical circuit components for the communications and electrical utilities industries, both of which are booming.

Where the copper producers have been *able* to act, they have acted. Cyprus Mines has closed its big Pima, Ariz. mine. El Paso Co. and Hecla Mining closed their mine near Casa Grande, Ariz., and Anaconda—purchased in January 1977 by Atlantic Richfield for about $600 million—closed its enormous Yerington, Nev. pits. But these moves were counterbalanced by cheap foreign imports, which soared from 391,000 tons for *all* of 1977 to 410,000 tons for the first nine months of 1978 alone. The domestic producers scampered to Washington to demand an annual 300,000 ton import quota. But the Administration, concerned about the inflationary impact of such a quota, refused.

One positive step Kennecott took was abandoning, last spring, the old U.S. producer price system. For nearly a century there have been, in effect, at least two copper prices: the London Metal Exchange price and the U.S. producers' price. With the enormous worldwide copper stockpiles accumulated since 1974, the London price sank so far below the U.S. producer price that U.S. producers saw their already-thin demand greatly reduced; hence that flood of imports. Kennecott finally abandoned the producer price system and now takes its quotes from the New York-based Commodities Exchange (COMEX). This will help the U.S. producers in the distant future, but

not right away. The sad fact is there is not much the copper producers can do this year and perhaps next to improve their scant investment returns. Prices cannot be expected to increase enough for major profit gains (or even to the break-even level) simply because there is and will be too much copper stockpiled around the world.

But aren't copper stockpiles falling? They are—but here again appearances are deceiving.

According to the American Bureau of Metal Statistics, worldwide copper inventories fell from 1.7 million tons a year ago to around 1.4 million tons now—a two-and-a-half months' supply. But as George Cleaver, Merrill Lynch's widely respected nonferrous metals analyst, explains: "Sure, it's nice to see the surplus coming down. The trouble is *normal* inventories are 500,000 or so tons, and here we are at the peak of a cycle with well over 1 million tons. Even at current [*i.e.*, 1978] rates of decline in the inventory it'll take two and a half, three years to work the inventory down to the normal level." Cleaver hesitates, then adds darkly: "And if we have a recession this year. . . ."

Even if demand picks up to where prices could rise, will Jimmy Carter and his council on wages and prices allow them to rise? The voluntary guidelines set a maximum 9.5% ceiling. So in theory copper could rise to maybe 75 cents a pound. Big deal: Experts say it takes over 80-cent copper to break even on about half the world's production.

"Normal [copper] inventories are 500,000 or so tons, and here we are at the peak of a cycle with well over 1 million tons. Even at the current rates of decline it'll take two and a half, three years to get to the normal level."

As usual, the diversified metals firms were a mixed bag, but with a clear message: better to be a metals merchant or fabricator than a miner. While zinc's current 34-cents-a-pound price is comfortably above its mid-1978 29-cent level, it remains *un*comfortably *below* its l price of 39 cents. This is a major re that the latest 12-month equity retu Gulf Resources and Chemicals, hea leveraged by zinc, fell to less than fourth its five-year average. Multinat al multi-ore miner St. Joe Minerals squeezed mercilessly, not only in but in coal, too. Coal, which was posed to save us all from OPEC and winters, suffered a 111-day strike la 1977 and early last year. Despite ro earnings from its mammoth Colo molybdenum mines, AMAX was bered by the coal strike—and co zinc, nickel and potash. The suppl each of these mined products, AMAX, is outstripping demand.

But the metals merchants and fab tors made out. They usually do. Er hard Minerals & Chemicals is mi man between miner and refiner for 100 different industrial raw materials profits do hurt when demand is sla hence its 4.5% operating income dr 1978's first nine months—but at lea doesn't bleed to death on a mining c pany's enormous fixed costs. Hand

Metals:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
ALUMINUM												
Kaiser Alum & Chem	13.0%	1	16.1%	0.7	9.1%	2	7.5%	6.0%	14.3%	1	21.5%	2
Alcan Aluminium	11.1	2	18.9	0.4	12.4	1	7.6	7.8	13.1	3	10.5	4
Reynolds Metals	10.8	3	10.8	0.8	6.3	4	6.0	3.9	13.3	2	24.3	1
Alcoa	10.4	4	14.3	0.6	9.4	3	7.1	6.8	12.5	4	10.8	3
Medians	**11.0**		**15.2**	**0.7**	**9.3**		**7.3**	**6.4**	**13.2**		**16.2**	
COPPER												
General Cable	11.9%	1	12.7%	0.6	8.2%	1	8.6%	3.8%	5.8%	3	8.3%	1
Cyprus Mines	7.1	2	9.6	0.6	4.7	2	6.9	9.6	10.7	1	–9.5	3
Phelps Dodge	5.6	3	2.5	0.6	3.1	3	5.2	2.8	3.9	5	–12.8	4
Kennecott Copper	3.3	4	0.7	0.4	1.6	4	3.7	0.7	5.0	4	–18.7	5
Revere Copper	2.5	5	11.5	1.4	5.8	5	2.5	2.8	6.7	2	–0.3	2
Medians	**5.6**		**9.6**	**0.6**	**4.7**		**5.2**	**2.8**	**5.8**		**–9.5**	
DIVERSIFIED METALS												
Gulf Resources & Chem	26.7%	1	5.9%	1.0	4.8%	5	14.2%	2.7%	20.2%	3	D–P	
Engelhard Minerals	26.3	2	17.9	0.2	15.2	1	20.3	1.5	28.8	2	24.0%	2
Handy & Harman	24.1	3	18.1	0.7	12.2	3	16.0	2.8	11.5	8	29.9	1
St Joe Minerals	21.3	4	7.8	0.1	6.4	2	17.1	4.9	30.3	1	14.9	4
Commercial Metals	18.5	5	9.4	0.4	7.5	4	14.6	0.8	18.6	4	18.7	3
Texasgulf	14.5	6	5.3	0.4	4.3	6	10.2	7.8	14.0	7	10.5	5
Inco Ltd	12.2	7	3.5	0.5	2.1	7	7.9	3.5	15.5	6	2.1	7
AMAX	10.3	8	4.0	0.4	3.9	8	7.1	4.9	6.4	10	3.4	6
Newmont Mining	7.8	9	0.9	0.5	1.9	9	6.2	1.2	17.2	5	–8.3	8
ASARCO	3.1	10	def	0.5	def	10	3.9	def	6.8	9	–20.3	9
Medians	**16.5**		**5.6**	**0.5**	**4.6**		**12.2**	**2.8**	**16.4**		**10.5**	
Industry Medians	**11.1**		**9.4**	**0.5**	**5.8**		**7.5**	**3.5**	**13.1**		**9.4**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. D-P Deficit to profit; not ranked. def Deficit.

man? It is primarily a manufacturer refiner of precious metals for indus- With customers such as auto- iles, household appliances and com- cial aircraft running at fever pitch, H had no trouble selling metal for hard to see but strongly demanded lucts as high-strength, leak-proof ts and sterling silver. H&H's 18.1% ty return was best bar none among rsified metals concerns.

it the real standout industry last year aluminum. The Big Four producers' ian equity return exceeded 15%, ble its median just three years ago. t happened? The industry has ged fundamentally.

ior to 1972 aluminum was every bit east-to-famine a business as copper. minute the business cycle climbed— m! bang!—producers added capacity, ch then sent profits reeling even fast- hen the cycle headed down. Between) and 1972, for example, worldwide city expanded by nearly 40%—only nash producers in 1973, and again in 1974-75 recession.

ith the help of poor cash flow, the on sank in: no more expansion es, at least for a while. Result: U.S. city today is just 5.2 million tons. e 1972 it has grown almost exactly ine with the growth in demand BES, *Nov. 27, 1978*). Thus in 1977 and last year, with the housing and domestic automobile industries booming, the industry's refineries were working at about 92% of capacity. A number of flat-roll products—flat-roll plants are operating at nearly 100% of capacity—are now on allocation, and will be until late this year, when Alcoa's flat-roll plant expansions come into production .

So different has aluminum become that the firms' executives hardly flinch when you whisper "1979 recession."

"For 1979, we believe housing starts will fall 9% and domestic automobile production 5%." Pretty scary, right? Wrong. "So we figure aluminum shipments will be up 4%." One reason: 1979 automobiles will carry an average 126 pounds of aluminum vs. 114 pounds for last year's models.

"For 1979," says a Kaiser Aluminum spokesman, "we believe housing starts will fall 9% and domestic automobile producton 5%." Pretty scary, right? Wrong. "So we figure aluminum shipments will be *up* 4%." The principal reason, he continues, is that 1979 automobiles will carry an average 126 pounds of aluminum, as against 114 pounds for last year's models. Add to this strong truck and bus markets, huge backlogs in commercial aircraft (two and a half years for Boeing alone) and modest upward thrusts in the packaging (*i.e.*, metal can), commercial construction and electrical cables markets, and 1979 should be yet another banner year for the once-whipsawed aluminum makers. In the decade to come they may not be able consistently to top last year's 15%-plus median equity returns. But with the old smiles-to-tears pattern broken, it is virtually certain that the 1960s-style and early 1970s-style returns of 5% and less are gone for good.

Of course if you're buying for the long term, you buy when things look the worst. Early last year Exxon (one of several oil companies now interested in copper mining) paid the Chilean government $112 million for the rich La Disputada mines high in the Andes (FORBES, *Oct. 30, 1978*); Exxon may spend another $1 billion to develop the properties. Why does Exxon want in on such a troubled business as copper? Investigators for the U.S. International Trade Commission were granted access to internal documents. The investigators report that Exxon has "predicted a substantial rise for copper prices by 1982-83, and further forecast a long-term rise of copper prices at slightly more than the trend line of production costs." But forget 1979. It'll be another rotten year for copper. ■

"That's a Butler building?"

Yes, that is a Butler building. In fact, you probably see beautiful Butler buildings all the time and don't know it.

Because Butler buildings offer total design flexibility and can be as tasteful and dramatic as any building.

Yet, they also give you all the important time and money savings of systems construction.

To learn more, call the local independent contractor who can build one for you. See "Butler Mfg. Co. Builder" in the White Pages. Or write Butler Mfg. Co., Dept. B-397, BMA Tower, Kansas City, Mo. 64141. 71633

BUTLER

We're down to earth.

When the Space Shuttle eased back to earth, automatic anti-skid brake controls manufactured by Crane's Hydro-Aire Division brought the historic test flight to a safe and successful conclusion. Just as they do on almost all commercial and military aircraft in service today. And have for 30 years.

Hydro-Aire. A division of Crane Co., where down-to-earth concentration on essential products for essential industries helps build a strong and growing business. In steel. In building products. In fluid and pollution control. And, of course, in aerospace and aircraft.

Crane Co., 300 Park Avenue, New York, NY 10022

CRANE®

With seriously overextended consumers and the prospect of a housing slump, there's little question that the boom is over for many.

Household products and apparel

Grace Kelly designing a Springs Mills sheet
With foreign competition stiffening, U.S. textile producers are forced to trade up.

WE'VE JUST HAD a 48-month boom, but like it or not that's ending now," says John F. Welch Jr., General Electric's senior vice president in charge of its consumer products and services. A slump in sales volume of appliances has forced GE to throttle production and lay off some 1,000 workers at its Louisville, Ky. Appliance Park. Whirlpool, too, has cut its work force by about 1,500 and its output by 8%. Inventory control at both GE and Whirlpool has been tightened as well.

Under the pressures of thin margins and a poor five-year earnings growth record, many other appliance makers will be forced to follow the examples of GE and Whirlpool. If they do not, they risk getting clobbered this year as they were in 1974, when many were caught with huge inventories; most suffered declines in earnings and a few sank into the red.

Sales of white goods—including everything from refrigerators and electric ranges to air conditioners and garbage disposals—started falling off in last year's second half and are likely this year to drop further behind 1978's 33 million units. The most obvious reason is home building. Some household products executives are bracing for a housing slump of as much as 25% this year. Hardest hit in such a slump would, of course, be appliance operations at companies like Maytag, Whirlpool, GE, Sunbeam and Westinghouse.

What makes these companies particularly vulnerable is the likelihood that a good many consumers have reached the limits of their borrowing capacity. With consumer debt last year up almost 50% over 1975, and mortgage debt up over 50%, economists are predicting a major credit retrenchment. The ratio of household debt payments to cash disposable income, for example, has reached 25%, the highest level ever. Some, still more optimistic, point to the changing population mix as evidence that consumers will leverage themselves even further. Over the next decade, the 25-to-44 age group will increase 33%, from 58 million to over 75 million. This child-rearing age group is always the heaviest user of installment debt—and biggest purchaser of big-ticket durables.

In any case, most white-goods prod ers are preparing for the worst. Gen Electric thinks it can make its consur products and services—which acco for 23% of GE's $1.1 billion net profi less vulnerable to economic recessi Says Welch, "Even though there may fewer units made, we want increa productivity. There's no sense in wait around until the orders fall off." Welc achieving that increased productivity course, mainly by laying off workers in advance of the downturn in the e nomic cycle. To lessen GE's vulnera ity to recession longer-term, Welch pinning his hopes in part on the mic wave range (larger than the more fami counter-top oven) into which the co pany has plowed millions. The en microwave oven market—GE has a 1 share—has grown sixfold to nearly a billion business in the last five ye Microwave oven sales have run contr to the rest of the appliance group, ris 16% last year to about 2.5 million un Microwave oven sales held up well d ing the 1974-75 downturn because it v and still is a fledgling, low-saturat market and a novelty to the consume

In contrast, producers of more m dane housekeeping products hope moderate earnings growth this year cause they mostly produce low-pri necessities: soap, detergent and toc paste. "The housewife can cut back buying a car or furniture, but nondurab are less postponable and more nec sary," says Hercules Segalas, analyst Drexel Burnham Lambert. "If there going to be belt-tightening and the fa ily is not going to eat out, then peo will be washing more dishes at home

Among this group, giant Procter Gamble continues to outshine its co petitors. But it's having to work har to maintain the pace: P&G rolled more new products last year—Folg coffee (nationwide), Puritan salad cooking oil and Boundary hospital gov among them—than in any of the last t Segalas predicts the company's earni will grow at a compound 13% over next five years compared with 10% the last five. And despite the 20% crease in marketing expenditures an $600 million capital outlay—25% m

an last year—P&G's profits still are pected to climb well over 10% in 1979. ke P&G, Economics Laboratory ould make a strong showing this year spite the dubious economic outlook. e company, a manufacturer of deter- nts and cleansers such as Finish and ardian for both consumer and indus- al uses, has had earnings increases for consecutive years; sales increases, for consecutive years.

Another group relatively "insensitive" the economic cycle are the power tool nufacturers. Though power tool prod- s are expensive, they are something of anomaly: People buy them to save ney. Making one's own coffee table or tch with a power handsaw, for exam- , is likely to cost less than buying one right. Says G. Douglas Hale, president of Black & Decker Mfg.'s U.S. operations, "We would be remiss if we didn't recognize that an economic slowdown is imminent. But we feel sales and earnings will be up over 10% this year."

Hale attributes Black & Decker's drop in earnings in the last recession to a major expansion program launched in the early Seventies which nearly doubled the company's production capacity. This time around, Hale says, things are different. True, he expects industrial power tool products—a third of sales—to fall off this year. But with tighter inventory controls and plants running at about 80% of capacity, the company hopes to ride out, without stress, any rough moments.

Many of the textile manufacturers are having to use more aggressive merchandising to woo the consumer. In part that's because they've been forced to trade up their product line to higher-margined fashion items. Says David M. Tracy, senior vice president for Fieldcrest Mills, "We've become more of a consumer products company than a textile producer. We're picking up on marketing techniques that were developed by the cosmetics industry." Tracy points to the higher-priced, brand-name items such as the $15 Charisma towel and $35 Touch of Class blanket. Products like these sold briskly during the last recession while the middle-range products suffered.

Fieldcrest's 18% return on equity for the last 12 months is more than double the group's median 8.3%, and its 4.6% profit margin is the second best for the group. Springs Mills, Inc., too, is getting

Household Products:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
APPLIANCES												
Maytag	25.3%	1	24.9%	0.0	24.0%	1	24.8%	11.1%	8.3%	5	5.6%	4
General Electric	18.6	2	20.2	0.2	17.1	2	16.1	6.3	10.3	3	11.4	2
Whirlpool	16.2	3	19.6	0.2	17.1	3	13.6	5.2	5.4	9	5.5	5
RCA	14.8	4	19.3	0.8	12.2	5	9.6	4.2	8.3	4	15.2	1
Sunbeam	11.9	5	12.3	0.4	9.8	4	9.6	3.4	15.1	1	8.1	3
Westinghouse Elec	9.5	6	13.1	0.2	11.1	6	7.7	4.6	5.6	8	3.4	6
Magic Chef	8.4	7	14.6	0.4	11.7	7	7.6	4.2	11.8	2	2.1	7
Scovill Mfg	8.0	8	18.7	0.4	13.6	8	6.9	4.2	4.2	11	–9.9	9
Hoover Co	7.6	9	12.2	0.0	11.1	9	6.7	3.9	7.3	7	–8.3	8
Zenith Radio	6.0	10	2.9	0.2	3.1	10	5.8	0.8	5.2	10	–16.6	10
Tappan	def	11	0.4	0.7	1.5	11	0.4	0.1	7.4	6	P–D	11
Singer	def	12	16.8	0.8	11.2	12	def	3.1	1.1	12	P–D	11
Fedders	def	13	def	0.5	def	13	def	def	–1.3	13	P–D	11
Medians	**8.4**		**14.6**	**0.4**	**11.2**		**7.6**	**4.2**	**7.3**		**2.1**	
HOUSEWRS & FURNSH												
Rollins Inc	23.4%	1	19.8%	0.2	16.4%	1	17.6%	9.0%	12.7%	2	13.2%	2
Insilco	15.5	2	16.5	0.5	9.9	4	9.2	5.5	4.9	8	8.7	5
Black & Decker	14.3	3	16.4	0.2	13.4	2	12.1	6.9	20.0	1	12.2	3
Talley Industries	14.0	4	13.2	0.8	8.4	5	8.5	3.1	5.4	7	14.7	1
Stanley Works	13.0	5	15.9	0.3	12.5	3	10.3	5.4	10.9	3	9.8	4
Roper Corp	8.6	6	14.8	0.7	10.3	6	6.4	3.1	9.4	5	0.6	6
Mohasco	6.1	7	6.7	0.7	5.1	8	5.0	1.7	10.0	4	–4.5	7
Simmons	5.9	8	2.9	0.3	3.2	7	5.4	1.0	7.8	6	–5.9	8
Medians	**13.5**		**15.4**	**0.4**	**10.1**		**8.9**	**4.3**	**9.7**		**9.3**	
HOUSEKEEPING PROD												
Clorox	18.7%	1	18.4%	0.2	14.7%	3	14.5%	2.8%	23.3%	1	4.4%	6
Procter & Gamble	18.5	2	19.1	0.2	14.9	2	14.8	6.3	15.3	4	10.8	3
Economics Laboratory	18.1	3	17.1	0.2	13.7	4	13.4	6.4	18.5	2	15.5	1
Colgate-Palmolive	17.3	4	16.0	0.1	14.1	1	15.1	4.1	17.2	3	13.2	2
Purex Industries	14.6	5	14.4	0.3	10.9	5	10.7	4.1	6.3	6	9.6	4
Scott Paper	9.8	6	8.0	0.5	6.1	6	7.5	4.1	11.5	5	6.8	5
Medians	**17.7**		**16.6**	**0.2**	**13.9**		**14.0**	**4.1**	**16.3**		**10.2**	
Industry Medians	**13.0**		**15.9**	**0.3**	**11.2**		**9.2**	**4.1**	**8.3**		**5.6**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. P-D Profit to deficit. def Deficit.

more fashion-oriented. This winter customers will be able to buy Springs' floral bedsheets based on a design by Monaco's Princess Grace, and even bedsheets with a Dracula motif.

Though earnings for textile manufacturers reached about $900 million last year—an 8% rise over 1977—margins for this group have remained thin, averaging about 3.3% over the last two years, a third less than the return averaged by most manufacturers. The problem is stiff overseas competition. Textile imports have nearly doubled over the last decade. Fierce competition in the industry has kept price hikes barely abreast of inflation. Add a decline in consumer spending and textile producers could be in for a lean 1979. Import competition is even more severe for apparel and footwear companies, where it already accounts for over 20% of the apparel and nearly 50% of the footwear market.

Not everyone, however, is predicting a downturn. Giant Burlington Industries, with $2.4 billion in sales, the nation's largest manufacturer of textile produ expects another strong upswing in maturing denim market. It had be happen. The company suffered "subst tial" losses there last year. The der fiasco's contribution to a 22% decline overall earnings looked even worse cause in 1978 Burlington opened a $30 million denim plant in Stonew Miss. as part of a capital expansion modernization program that has cost company $425 million worldwide the last two years. That's about 10%

Apparel:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales	Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
APPAREL												
Levi Strauss	31.0%	1	29.5%	0.2	25.8%	1	25.7%	8.4%	24.2%	1	37.7%	1
Blue Bell	24.0	2	19.7	0.2	16.5	2	19.7	6.1	19.0	2	27.1	2
VF Corp	16.7	3	15.7	0.2	13.2	3	14.3	6.3	10.2	5	11.6	4
Interco	14.5	4	13.7	0.2	12.3	4	13.5	4.9	11.2	4	8.6	5
Hanes	12.1	5	16.9	0.4	12.8	5	9.9	5.0	12.3	3	17.2	3
Kellwood	11.9	6	13.9	0.9	9.4	6	8.9	2.0	8.6	7	3.8	7
Hart Schaff & Marx	7.6	7	9.4	0.3	8.1	7	6.8	2.9	6.1	10	0.0	8
Cluett, Peabody	6.9	8	11.1	0.2	9.4	8	6.4	3.4	2.1	13	–1.6	9
Manhattan Industries	6.0	9	13.7	0.3	9.8	9	5.3	2.2	7.2	8	–7.3	10
Jonathan Logan	5.5	10	5.8	0.3	5.0	10	4.9	2.6	3.9	11	–10.3	11
Rapid-American	2.3	11	24.3	2.8	8.5	11	4.6	1.8	0.3	14	–42.8	13
Phillips-Van Heusen	1.4	12	1.8	0.6	1.9	12	1.9	0.4	3.8	12	–27.2	12
Warnaco	def	13	10.4	0.7	7.2	13	1.5	1.8	7.0	9	P–D	14
Genesco	def	14	def	1.7	4.1	14	def	0.3	–3.4	15	P–D	14
Oxford Industries	**		10.2	0.4	9.3		**	3.0	9.3	6	5.4‡‡	6
Medians	**7.3**		**13.7**	**0.3**	**9.4**		**6.6**	**2.9**	**7.2**		**3.8**	
TEXTILES												
Cone Mills	16.4%	1	16.6%	0.2	15.0%	1	14.1%	6.1%	11.5%	3	36.4%	1
Riegel Textile	14.0	2	13.0	0.3	9.7	4	10.0	4.4	10.0	5	25.5	3
Graniteville	13.6	3	5.4	0.2	4.9	2	11.4	2.0	13.7	1	19.6	5
Collins & Aikman	12.0	4	13.7	0.1	11.6	5	9.9	4.2	9.8	6	1.3	12
Fieldcrest Mills	11.9	5	17.8	0.6	12.2	7	8.4	4.6	9.0	8	7.9	8
Reeves Brothers	11.7	6	14.8	0.3	11.9	3	10.0	4.4	6.4	12	10.7	7
West Point-Pepperell	11.0	7	12.1	0.4	9.4	6	9.5	3.7	12.1	2	18.7	6
Burlington Inds	8.9	8	7.0	0.4	5.8	8	7.0	2.9	4.3	13	3.6	11
J P Stevens	8.2	9	7.4	0.6	5.8	11	6.6	2.2	7.5	9	20.5	4
Avondale Mills	7.2	10	6.6	0.0	6.3	9	7.0	2.2	9.6	7	–0.1	13
Cannon Mills	7.0	11	8.3	0.0	8.3	10	6.9	4.3	6.7	11	4.9	9
Springs Mills	4.8	12	5.6	0.2	5.0	12	4.3	2.5	10.3	4	4.2	10
Dan River	4.7	13	6.9	0.5	5.4	13	4.1	2.1	6.8	10	28.2	2
M Lowenstein & Sons	0.0	14	4.5	0.7	4.4	14	1.7	1.0	3.9	14	P–D	14
United Merch & Mfrs	def	15	13.3	5.3	2.4	15	def	0.9	2.1	15	P–D	14
Medians	**8.9**		**8.3**	**0.3**	**6.3**		**7.0**	**2.9**	**9.0**		**7.9**	
SHOES												
Melville	26.4%	1	27.5%	0.2	25.9%	1	24.0%	4.9%	17.8%	1	17.5%	2
SCOA Industries	20.5	2	22.6	0.8	13.7	3	12.7	2.1	13.6	2	50.7	1
McDonough	17.3	3	17.2	0.2	14.9	2	13.9	5.0	9.1	5	16.3	3
United States Shoe	15.3	4	17.9	0.5	13.6	4	11.7	3.9	10.8	3	10.8	4
Brown Group	10.9	5	14.3	0.4	11.4	5	8.9	3.4	10.3	4	1.8	5
Medians	**17.3**		**17.9**	**0.4**	**13.7**		**12.7**	**3.9**	**10.8**		**16.3**	
Industry Medians	**11.0**		**13.3**	**0.3**	**9.4**		**8.7**	**3.0**	**9.1**		**5.4**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡‡Three-year growth. P-D Profit to deficit. def Deficit. **Not available; not ranked.

nbined 1977-78 sales, and well above industry average. "We felt that unless money was spent for the future," s Burlington President Frank S. enberg, "we wouldn't *be* in the fu-. People asked how we could let newall come on stream right as every-g hit the fan. Well, we're not in den- just for one year. It's going to be nd a long time."

those denim operations turn around, hould offset a decline produced by er housing starts that looks likely for ington's home furnishings group. ounting for 36% of volume, this divi-—carpets, rugs, draperies, furniture the like—has grown faster than any er part of the company over the last e years, and it's here that Burlington s to expand in the early 1980s *via* the uisition route. Says Greenberg: 're getting ourselves into a position hat if a downturn ever comes in any ur markets, we're still going to be competitive."

eague-leading Levi Strauss & Co., ch rang up an 8.4% margin for the 12 months compared with the appar-ndustry median of 2.9%, and a five- average return on equity of 31%, *vs.* group's median of 7.3%, is no less mistic. Says George J. Daily, vice ident: "In recessionary periods we *ease* our share of the market because consumer tends to trade down in e. Moreover, our inventory has been er very tight control." But in the face a maturing jeans market—which y say has reached saturation—and us price-cutting by its competitors, ill be difficult for Levi Strauss to ain those fat margins.

n the middle- and higher-priced end he apparel rack hang the men's hes sold at most of Hart Schaffner & x' 275 retail stores. "That's just the ket we want to be in," says HS&M's ish CEO Jerome S. Gore. Bucked up record year (1978 sales topped $600 ion and earnings were up 15% to ly $18 million), Gore says: "Con-ers will continue to be fashion-con-us. There's a greater interest than before in quality because nowadays ity means *value*. Value no longer ns buying something at a low price will last one season and then you w it away."

arring a major recession, which Gore sn't expect, HS&M thinks 1979 will spiffy. Says Gore, who plans to open ew stores: "If we had the chance to 15 new stores, or at least commit to many good new locations next year, wouldn't hesitate."

nonetheless remains to be seen ther manufacturers and retailers will ct be able to coax the consumer into ening his purse strings at a time n his disposable income seems to be tched to the limit. ■

Habit-forming.

Which may be why more and more businessmen who take our Concorde once take it again and again. For only $144 more than First Class it will take you from New York to London in 3½ hours. You will arrive feeling as if you hadn't flown at all—refreshed, invigorated, and ready to do the competition in.

If you take our 10 a.m. flight (every day but Wednesday), you'll have—for the first time—same-day daylight connections to 47 cities in Britain, Europe, and the Middle East.

Even better, you can now fly to Europe the same day from more than 120 cities in the U.S. by connecting with the midday Concorde in either New York (12:15 p.m. daily) or Washington, D.C. (12:30 p.m., Sunday, Wednesday, Friday).

Newest of all, you can even fly Concorde direct between Dallas/Ft. Worth and London via Washington.

Call your Travel Agent, Transportation Department, or British Airways, and make your next flight to London on Concorde.

Tell them Robert Morley says it's never too soon to start a good habit.

British airways

We'll take more care of you.

With major markets booming, costs generally under control, most electronics companies should show modest earnings gains this year.

Electronics

Consumer zeroing in on one of the many new electronic games
Will he shoot down the industry's profitability in 1979?

WHO HAS FORGOTTEN what happened to this major growth industry in the 1974-75 recession? Tens of thousands were laid off and earnings declined more than 20% for companies like Texas Instruments, AMP and Motorola. Zenith, Fairchild Camera and Westinghouse fared worse.

But don't expect history to repeat. Four years ago the key aerospace market was weak. Today it's soaring on the wings of Boeing. Four years ago defense was flat. Today military electronics business is brisk. The oil boycott threw Europe into a tailspin back then. European business is generally in better shape today. Even the prospects for the construction industry are better—at least in the industrial end. Finally, since 1974 two key electronics markets have been swept by technological breakthroughs triggering major long-term spending: telecommunications and data processing.

That isn't to say that some companies in the electronics industry won't get caught in the rain if those recession clouds on the horizon burst. Companies that are still heavily dependent on consumer dollars like television producers Zenith, Sony and RCA are bound to. To a lesser extent, that goes also for those portions of the semiconductor industry (Motorola, TI, Fairchild) that sell to the same consumers. Still, there will be more electronics companies showing earnings gains in this year than those not.

Automation equipment, for example, can't be expected to increase another 12% in unit volume as it did last year. But a further 5% to 6% increase seems entirely possible. Installation of such equipment tends to accompany longer-term capital spending that does not fluctuate with every downturn in the economy—at least not right away. And such equipment does help customers cut costs through improved technology. For similar reasons, sales of electrical distribution equipment that controls the flow of electricity in industrial and residential buildings is likely to be up, despite the likely downturn in new home building. Completions of new housing already started should carry well into midyear. With energy conservation high on everyone's agenda, replacement sales will also continue high. Those two conditions
well for the likes of Square D, Cr
Hinds, Emerson Electric, Reliance
tric, General Electric and UV I
tries—all of which have imp
stakes in this market.

By contrast, there doesn't seem
any recovery in sight for the large el
cal turbine generator business. Uti
still have slack demand and the
much uncertainty as to what ty
plant to build. At least for GE and
inghouse, the old marginal turnkey
er generator projects at prices that h
provided for much inflation prote
are behind them. Unfortunately,
inghouse still has to worry about it
riched uranium supply contract l
tion—13 cases with scores of util
Out-of-court settlements in 1978 c
$112 million pretax. That's just the
installment. Those settlements r
sent only 21% of total utility claim

GE is in a stronger position. Eve
expected downturn in appliances in 1
as housing starts fall, won't make mu
a dent in GE's earnings. The slack w
taken up by growth in its aerospace,
tics and credit operations. Also exp
to strengthen its $4.5 billion consu
products and services earnings (rou
one-fourth of total income) this ye
the proposed acquisition (subject to
eral Communications Commissio
proval) of highly profitable Cox B
casting Corp. for some $460 million.
GE's chairman and CEO, Reginal
Jones, "We were anticipating a slowd
long before the Carter Administrat
anti-inflation actions. We've already
en steps to reduce costs and hold the
on employment." Anticipating weak
in the economy, especially when i
tion obscures the signals, is more th
science.

No one is more conscious of that
Emerson Electric's chairman and C
Charles F. Knight. Last fall Knight f
selling, general and administrative
penses—long before that was nee
Emerson's products—including comm
cial electrical switches and motors,
table tools, smoke detectors and o
electrical products—seemed to be h
ing for another record earnings yea
fiscal 1979. Chuck Knight also

inced he was raising Emerson's divi-nd. Why? Says Knight: "We foresaw a xed bag of an economy in 1979, with nsumer markets softening, but indus-l and defense markets still strong. ose markets, which account for two-rds of our business, will more than ke up for consumer weakness." If siness gets worse as 1979 wears on, ight will use employment cuts. The t-cutting effort so far, however, has pped short of layoffs. In fiscal 1978 pt. 30), says Knight, "we reduced total ts, which include substantial materi-and manufacturing costs, by $76 mil-n, *vs.* a $72 million target." His goal for 79: $85 million.

ike GE, Emerson also sees acquisi-n as a fail-safe: "It's easier to make an uisition in a weaker economy," says ght. "Prices become more realistic as ability to go it alone weakens."

Other electronics companies, having rned from past mistakes, are being as cautious this year. Take $800 mil-n (sales) AMP of Harrisburg, Pa. as an mple. Four years ago this leading pro-er of connection devices for electrical ing was caught with far too much inventory and far too many employees, mainly overseas. This year, although there has been an explosion in the use of AMP connectors in markets like data processing, telecommunications, aerospace and consumer appliances, AMP is watching inventory and employment levels closely. At the moment it's operating at over 90% of capacity. That's large-

The industry sold an estimated record 10 million color TV sets last year. That should have meant much more robust profits. Unfortunately, the Japanese didn't immediately raise prices when the yen fell.

ly because AMP CEO and President James D. Brenner hired only a few hundred full-time employees abroad since 1974 even though AMP's growing foreign business now accounts for nearly half of sales. "We're trying to save labor dollars for our customers," he says. The fact that AMP's biggest single customer is the booming and apparently recession-proof data processing industry (now 25% of domestic sales) also provides some protection should a mild economic downturn materialize this year.

Like AMP, testing and measurement equipment companies like Hewlett-Packard, Beckman Instruments, Tektronix and Perkin-Elmer typically spend 7% to 9% of sales on research to produce oscilloscopes, counters, voltmeters, signal analyzers, logic analyzers and spectrum analyzers. "The market for these devices is growing geometrically, spurred by the explosion of memory devices and microprocessors," says instruments analyst Dan C. Book of F. Eberstadt & Co. "People who make electronics products or use them heavily must have these products or they would lose control of their product reliability. I think their growth will merely slow slightly from the feverish 20% gains in 1978."

President and CEO John A. Young of booming Hewlett-Packard, which makes both popular desk-top computers and testing equipment, adds that he's particularly confident "because about half our orders come from abroad and they are very strong. Europe's economy is

Electronics & Electrical Equipment:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
ELECTRONIC EQUIP												
Intel	35.9%	1	25.1%	0.0	24.4%	1	35.6%	11.1%	61.8%	1	99.1%	1
Teledyne	29.4	2	34.0	0.4	22.7	5	17.2	9.5	9.6	18	46.4	4
Schlumberger	29.4	3	30.6	0.0	29.2	2	26.6	19.0	21.9	5	35.8	5
Natl Semiconductor	29.1	4	21.4	0.0	16.4	3	23.3	4.7	45.5	2	52.1	3
Avnet	20.7	5	16.1	0.1	14.7	10	15.1	4.8	15.1	8	18.6	13
Raytheon	19.2	6	22.9	0.1	20.6	6	16.8	4.6	12.8	12	19.6	11
Lear Siegler	18.6	7	26.1	0.6	13.9	12	11.5	4.2	7.6	23	18.4	14
Hewlett-Packard	18.4	8	16.1	0.0	15.5	4	17.8	8.4	22.0	4	24.6	8
EG&G	17.3	9	22.3	0.2	17.5	9	15.3	3.8	18.0	7	34.3	6
Texas Instruments	16.8	10	18.3	0.1	17.5	7	15.5	5.6	14.2	10	16.3	15
Tektronix	16.4	11	19.6	0.1	17.2	8	15.4	9.3	20.2	6	20.9	9
RCA	14.8	12	19.3	0.8	12.2	17	9.6	4.2	8.3	21	15.2	16
General Tel & Elec	14.0	13	16.5	1.0	7.7	23	6.7	7.5	11.5	13	6.5	23
Perkin-Elmer	14.0	14	17.5	0.2	15.8	11	13.8	6.7	14.3	9	12.8	17
Harris Corp	13.3	15	21.3	0.4	16.3	14	10.7	6.0	10.0	17	11.0	20
Motorola	12.9	16	15.4	0.3	12.8	13	11.4	5.7	9.4	20	11.5	19
North Amer Philips	12.7	17	14.0	0.3	9.9	18	9.1	3.1	22.0	3	12.6	18
Beckman Instruments	12.5	18	16.5	0.4	13.7	16	10.1	6.8	12.8	11	20.2	10
Corning Glass Works	12.3	19	15.5	0.2	13.0	15	10.3	8.6	9.5	19	7.5	22
Ampex	11.9	20	15.5	0.9	9.8	24	6.6	4.5	–0.6	26	D–P	
American Tel & Tel	11.6	21	13.3	0.7	7.4	22	6.7	12.9	11.5	14	7.8	21
Fairchild Camera	10.3	22	12.2	0.4	9.7	19	8.4	4.7	10.3	16	84.1	2
Honeywell	10.2	23	13.4	0.2	10.8	20	7.5	5.0	7.6	24	5.7	24
General Instrument	8.9	24	14.1	0.4	10.7	21	6.8	5.5	8.1	22	19.2	12
Varian Associates	7.0	25	7.5	0.2	6.6	25	6.3	2.9	10.9	15	26.1	7
Bunker-Ramo	2.9	26	11.7	0.6	9.1	26	4.3	4.1	5.3	25	–14.1	25
Medians	**14.0**		**16.5**	**0.3**	**13.8**		**11.1**	**5.6**	**11.5**		**18.6**	

Working to foil energy shortages

"In a full year's operation of the 10-Pack fuel foiler train between Chicago and Los Angeles, we expect to save almost 300,000 gallons of fuel."

LARRY CENA
President, The Atchison, Topeka and Santa Fe Railway

Photo shows Mr. Cena introducing the new train at Los Angeles during September, 1978.

Santa Fe's new 10-PACK *fuel foiler*

Energy shortages can be a villain for freight transportation. It takes about one million gallons of fuel a day to keep the Santa Fe rolling, which is why we work constantly on ideas to foil the problem of energy shortages.

We are not content with tests that show a trailer on a train is four times more efficient from an energy standpoint than a truck on the highway. Santa Fe strives to do even better.

A better idea is our new 10-Pack fuel foiler car. A train of these cars can carry 100 trailers and on a Chicago-Los Angeles round trip, this train saves almost 6,000 gallons of fuel compared to conventional rail equipment.

To overcome a problem it takes teamwork and new ideas. That's how we strive to overcome the energy shortage villain to make sure that each time he creates problems for Santa Fe, he will be *foiled again... and again.*

For a folder describing the 10-PACK fuel foiler call your Santa Fe Sales Office, or write Dept. 333, 80 East Jackson Blvd., Chicago, Illinois 60604

Santa Fe

A Santa Fe Industries Company

about nine months behind ours."

The weak dollar helped the electronics industry boost exports or foreign-based sales. Companies like Fairchild Camera and Texas Instruments were even licensing semiconductor technology to the hungry Japanese, who suffer the most from the decline of the dollar.

Such licensing agreements added $2.5 million to Fairchild's third-quarter earnings last year and next year will add millions to TI's income statement. A weak dollar was also supposed to make things easier for U.S. television producers Zenith, RCA, GE and Sylvania. The industry sold an estimated record 10 million color TV sets last year. That should have meant much more robust profits. Unfortunately, the Japanese didn't oblige by immediately raising prices when the yen fell. So, for the first half of 1978 Zenith and RCA had to continue to sell at low prices.

That slightly slowed the Japanese, who now have a combined 25% to 30% market share. But 1978's chief victim was Rockwell International's Admiral, which called it quits in color TV after years of wallowing in red ink. Ironically, thereafter Zenith and RCA posted the first of two modest price increases.

But just as the industry is raising prices for the first time in five years, there comes a likely downturn in the economy. That, says James I. Magid, TV and appliance analyst at Shearson, Hayden Stone, Inc., "will probably reduce color TV sales by as much as 15% to 20%. That decline will be partially offset by increased sales of higher-margined sets. Let's face it, color TV is a mature market. It moves with the economy."

The consumer products segment of the electronics industry is likely to be the main trouble spot this year. Semiconductor companies like Fairchild Camera and General Instrument have, at one time or another, lost money in the consumer area. Even industry leader TI found portions of the consumer market—like digital watches, electronic games and calculators—to be among its least profitable markets. Says J. Fred Bucy, TI president and chief operating officer, "The prospects for semiconductor products in TV and VTRs in 1979 don't look favorable."

Bucy says what worries him, after a record-busting 25% earnings gain in 1978, is "double ordering in the next four months with capacity now short. You remember what happened in 1974."

But Bucy says he isn't too concerned. The more sophisticated integrated circuit devices in which TI is a lea should grow by more than 20% again, by demand from computer compan communications and the aerospace dustry for memories and microproce ors and could well offset price weakn in the consumer sector, he feels.

Bucy says what worries him, afte record-busting 25% earnings gain 1978, is "double ordering in the next f months with capacity now short. Y remember what happened in 1974."

"What happened in 1974," says V cent J. Glinski, semiconductor analys New York brokerage firm Drexel Bu ham Lambert Inc., "was that the ind try's big backlog evaporated overni when the market collapsed. Custom were double and triple sourcing wh demand was strong. But when a lot capacity came on stream just as economy weakened, companies cance orders without penalty."

Result: Semiconductor companies l off workers by the tens of thousar wrote down unsold inventory and s sank badly into the red for several qu ters. That could happen again in 19 says Glinski, who was one of the f analysts to predict the 1974 debacle don't think the panic of price-cutt will be quite as severe as in 1974, bu will be substantial." He adds, "Of cou when the layoffs occur, that's just time to invest in these companies." ■

Electronics & Electrical Equipment:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
ELECTRICAL EQUIP												
Reliance Electric	24.9%	1	23.8%	0.3	17.6%	7	16.5%	6.7%	15.8%	5	18.0%	3
UV Industries	22.6	2	22.7	0.8	10.8	12	10.9	7.8	12.8	8	23.9	1
Square D	22.1	3	24.8	0.2	20.3	3	18.6	9.3	12.9	7	8.4	12
AMP	21.9	4	27.2	0.1	22.6	1	19.0	12.2	14.9	6	14.1	7
Crouse-Hinds	20.4	5	19.5	0.1	16.5	2	18.8	6.1	22.9	2	21.2	2
Emerson Electric	19.6	6	21.7	0.2	19.4	4	18.0	7.8	16.7	4	11.6	9
Copeland	19.5	7	23.4	0.1	21.6	6	17.6	5.3	9.7	13	12.5	8
W W Grainger	19.4	8	19.9	0.0	19.5	5	18.0	6.5	19.2	3	16.7	5
General Electric	18.6	9	20.2	0.2	17.1	8	16.1	6.3	10.3	12	11.4	10
Gould	16.3	10	17.9	0.4	13.3	9	12.4	5.9	23.9	1	16.8	4
Cutler-Hammer	15.0	11	18.9	0.5	13.3	10	11.6	5.8	11.8	9	15.3	6
Eltra	13.5	12	13.0	0.2	10.7	11	11.0	4.7	10.5	11	11.1	11
McGraw-Edison	11.9	13	14.7	0.1	13.3	13	10.8	5.8	7.4	14	4.5	13
Westinghouse Elec	9.5	14	13.1	0.2	11.1	15	7.7	4.6	5.6	15	3.4	14
P R Mallory	8.5	15	9.0	0.3	8.8	14	8.2	2.9	11.3	10	2.5	15
Medians	**19.4**		**19.9**	**0.2**	**16.5**		**16.1**	**6.1**	**12.8**		**12.5**	
Industry Medians	**16.3**		**18.3**	**0.2**	**13.9**		**11.6**	**5.8**	**11.8**		**15.8**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. D–P Deficit to profit; not ranked.

ADVERTISEMENT

LOS ANGELES:

The New Look

Want to be well-connected in the West?

Then connect with one of the 22 banks that make up Western Bancorporation.

This is the largest multi-state banking system in the nation. Western Bancorporation's 22 banks operate throughout the 11 Western states, serving 405 communities with nearly 800 banking offices.

And, we're in the final stages of installing our new on-line teller terminal system that will usher in a new era in convenience for the banking customer.

Simply put, this computer network links nearly 5,000 tellers in our banking locations throughout the West. A computer terminal—with display screen—will be at each teller's fingertips. A customer's account information can be called to the screen in seconds. And not just at the customer's home branch—but anywhere in the system!

In geographic terms, it's the largest system of its kind in the nation and covers 41,000 miles of leased telephone lines.

What does this mean to you?

First, swifter service at the teller window. (No more waiting while the teller leaves to look up customer information.)

Secondly, as you travel throughout the 11 Western states, you can be readily identified at any banking office of any affiliate just as easily as you are at your "home" bank.

This is just one of the innovative ways that our banks serve the customer. Come to a Western Bancorporation bank. We'll connect you to the West.

WESTERN BANCORPORATION

WESTERN BANCORPORATION, Main Office, 707 Wilshire Boulevard, Los Angeles, California 90017. **ARIZONA**: First National Bank of Arizona, Phoenix; **CALIFORNIA**: United California Bank, Los Angeles; **COLORADO**: The American National Bank of Denver; Continental National Bank, Englewood; First National Bank, Fort Collins; **IDAHO**: Bank of Idaho, N.A., Boise; **MONTANA**: Bank of Glacier County, Cut Bank; The Conrad National Bank of Kalispell; Montana Bank, Great Falls; **NEVADA**: Bank of Nevada, Las Vegas; First National Bank of Nevada, Reno; **NEW MEXICO**: Bank of New Mexico, Albuquerque; First State Bank at Gallup; New Mexico Bank and Trust Company, Hobbs; Roswell State Bank; Santa Fe National Bank; **OREGON**: First National Bank of Oregon, Portland; **UTAH**: Walker Bank & Trust Company, Salt Lake City; **WASHINGTON**: Pacific National Bank of Washington, Seattle; **WYOMING**: First National Bank of Casper; The First National Bank of Laramie; The First National Bank of Riverton.

LOS ANGELES: The New Look

By Paul Ditzel

e is a new look in the old City of the s which soon celebrates its 200th anni- ry. This new look manifests itself ghout the Los Angeles area which con- to solidify its position as the West's g hub for business, finance, commerce versified industry, as well as the West's al center. Los Angeles, meanwhile, is rooting itself as the Gateway to the c marketplace.

where is this new look more apparent n the downtown business district. most other cities are groping for cures e cancers gnawing at their central downtown Los Angeles is undergoing sformation that is unparalleled in the ss history of the United States.

e new downtown provides the city at focal point of identity to shatter the of Los Angeles as a suburban sprawl ing for a central core. That identity is olized by the skyline of towering busi- nd financial centers. These include:

e 40-story Union Bank Building.

e 42-story Crocker National Bank ng.

e 52-story twin-towers of the Atlantic eld (ARCO) headquarters which moved here from New York.

The 55-story world headquarters of Security Pacific National Bank with its elegant stabile by sculptor Alexander Calder gracing the main entrance.

The 16-story Pacific Telephone Building.

The 750,000 square-foot Bank of America Computer Center.

The 300,000 square-foot World Trade Center, focus of international business activity in the financial district.

The 712-residential unit Bunker Hill Towers financed by the Prudential Insurance Co.

One of the newest and brightest stars in the downtown galaxy is the Bonaventure Hotel, a $110 million, 1500-room hotel with five cylindrical towers sheathed in mirrored glass and eight retail shopping levels. The Bonaventure is being acclaimed as a masterpiece of architectural design.

Towering over this new downtown is the majestic 62-story United California Bank, the tallest building west of Chicago. Total floorspace in the new downtown buildings is more than that of eight Empire State Buildings as Los Angeles leads all other western cities as the preferred choice by executives for their corporate headquarters.

Among them are: 30 industrials, four transportation systems, three merchandising firms, four banks, four savings and loan associations, eight financial holding corporations and mortgage firms and five insurance companies.

Atlantic Richfield's President Thornton F. Bradshaw explains his company's decision to move its corporate headquarters from New York to Los Angeles. "A major reason was the quality of life offered to our employees, plus an educational system unsurpassed in the country. The agreeable climate provides year-round recreational opportunities in the nearby coastal, desert and mountain areas."

Bradshaw says these factors "greatly enhanced our recruitment of high calibre employees. We have discovered that Los Angeles is the pacesetter and style-setter for the entire country."

Another reason cited by the ARCO President is, "The quality of municipal government in Los Angeles. The city is well-managed, fiscally sound and without city income or payroll taxes. Los Angeles has high standards of law enforcement that is free from graft and corruption. There are,

geles City Hall

The new Bonaventure Hotel

In 1848, the cry of gold rang out from Sutter's Mill. So began the Great California Gold Rush.
From that moment on, California became the place of new life and visions for America's future. A life where hopes and dreams soon become realities.
We've shared this vision since 1911. And we're just as optimistic about tomorrow as we were then.

ARCO

Petroleum products of
AtlanticRichfieldCompany

reover, peaceful and harmonious rela-
ships among the many ethnic groups."
Among other CEO's making long-term
mitments to the new downtown is Tyler
donald, west coast head of N W Ayer
H International, Inc., one of the world's
est advertising agencies. Macdonald,
o was also chairman of Mayor Tom
dley's City Economic Advisory Council,
ved his west coast headquarters to the
ted California Bank Building.
From his suite overlooking the new
ntown, Macdonald describes the con-
rations which led him to make the move.
rs is an agency which specializes in blue
accounts. We've got to be near our cli-
. This is where they are and where they
be locating in the future."
Macdonald explains his decision. "Many
ple forget that business executives have
stituencies just like elected officials.
cutives must answer to the judgment of
r peers, their directors, their shareholders
their employees. An executive cannot
aterally—and without grave risks—
e a business move that goes against the
n of the people he works for and those
work for him."
Corporate decisions to move a business
n one city to another must satisfy various
eria, says Macdonald. "Where do you
a good business climate—an attitude at
state and local levels that is not anti-busi-
s? Where do you find an abundant sup-
of skilled and unskilled labor? In what
of the country will you find a reasonable
ude on the part of organized labor? Land
build? Or an unexcelled distribution
work?
You must also choose an environment in
ch the people who will be working for
will want to live and to raise and educate
r children in an area offering excellent
ools, colleges, universities, theater, art
eries, museums—all the cultural advan-
es we want to make available to our
dren.
You don't want to fight government or
weather in addition to the normal prob-
s of dealing with your competitors.
ere else, but in Los Angeles, do you find
ne criteria which would make a business
ve here economically and socially
rable?"
The new downtown is far from complete.
rk is due to start this year on the 40-story
ls Fargo Bank Building and a $45 mil-
, 15-story luxury hotel to be built by the
ld's largest hotel chain, Trust Forte of
don. The hotel and its entertainment
ter will feature four theaters, the first built
owntown Los Angeles in more than 40
rs.
The magnetism of these prestigious
ntown locations is shown by the report
tenants leased more than 50% of the
ls Fargo Building before ground was bro-
. Leases for office space in the new
ntown range from around $7.50 to $18
square foot. The vacancy factor is excep-
ally low by comparison with other cities.

Plenty of space is available along Spring Street, once the Wall Street of the West, where leasing rates are substantially lower. The city looks for and is planning a renaissance along Spring and adjacent streets.

Revitalization of the downtown area—the Bunker Hill urban renewal project as it is known locally—stands as testimony to the infusion of public funds and private investment.

"More than $420 million of private investment has occurred within the Bunker Hill project; a ratio of 6.5 private dollars to each public dollar spent," says Edward Helfeld, administrator of the city's Community Redevelopment Agency. "The assessed value of the land is now close to $87 million in sharp contrast to the $6 million value in 1959.

"When completed, the project will represent a private investment of more than $1 billion," says Helfeld. "The project is planned to contain approximately 9 million square feet of office space, more than half a million square feet of retail space, close to 3000 residential units and 2500 hotel rooms. It will have a residential population of approximately 5000 persons and a daytime population in excess of 40,000."

Downtown's new growth has not been without its problems, notably traffic congestion. The city's Traffic Department reports that 633,000 vehicles enter the central city during daily peak hours, an increase of 30,500 in two years. One proposed solution is a 2.67-mile automated People Mover serving commuters and visitors while it weaves through the central business and hotel districts and terminates at the Convention Center.

Transit authorities expect the People Mover to carry 81,000 riders daily and eliminate 33,000 daily automobile trips into downtown. The People Mover also would connect with major transit and parking facilities. The federal government has committed $167 million to this electric transportation system.

The Bunker Hill project, along with the city's $45 million Convention Center which can accommodate nearly every convention and at least 90% of all trade shows in the United States, has spurred additional private investment downtown, especially by hotels. The 500-room Hyatt Regency Hotel opened in 1973. Notable, too, is the $24.4 million renovation and restoration of the venerable Biltmore, long a downtown landmark hotel.

Downtown means many other things to Los Angelenos. For those interested in the arts there is the $34.5 million performing arts complex: the Dorothy Chandler Pavilion, home of the Los Angeles Philharmonic Orchestra and its new resident conductor, Carlo Maria Giulini; the Mark Taper Forum and the Howard Ahmanson Theater.

Downtown also means weekend shopping along Broadway, especially to Los Angeles' large Hispanic population. A recent State Board of Equalization report "conservatively estimates" ground floor retail sales along Broadway between Second and Eighth Streets to exceed $135 million annually.

For the city's Japanese community, largest in the nation, downtown means their cultural center in and around Little Tokyo, site of the $30 million New Otani Garden Hotel and the Japanese Village Plaza.

Ground was broken in November for an $8 million three-level, 88,000 square-foot shopping mall adjacent to the New Otani. The commercial levels of the mall will surround Weller Court, which was planned to emulate a palace courtyard and to be a community gathering spot, says Nagahisa Ono, vice president of East West Development

The New Look of downtown Los Angeles

Corp. The project is due for completion this year.

But the city offers more than a new downtown while answering questions from executives who are considering Los Angeles as the site for their new corporate headquarters or a satellite business, distribution, commercial, or industrial facility. Some of the most frequently asked questions:

What are Los Angeles' population resources from which we can draw top and middle-management talent as well as a reliable, productive workforce?

A report last November by the Los Angeles County Regional Planning Commission puts the county's population at 7,124,000, probably the highest in history. The city's population of 2,800,000 is closing fast on the nation's second largest city, Chicago.

"After a period of population declines, then leveling, the county is back in a growth mode, which social and economic pressures will reinforce," says a United California Bank report. "Reasons for this turnaround include a pickup in the natural population increase, a gain in immigration from outside of California, sparked by the availability of a wide variety of job opportunities and a slowing of the outflow of Los Angeles' residents to adjacent counties.

"Los Angeles County still has considerable attraction for newcomers. This is based on a combination of climate, job availability, not only in numbers but variety, and mystique generated in part by the entertainment industry," says the report.

State and banking data centers put employment at 4,041,200, with the area's broad base of manufacturing industries accounting for around 24% of that figure. The U.S. Labor Department reports 530,000 new jobs were created during 1978 in California, most of them in the Los Angeles metropolitan area.

Los Angeles' pool of talent is similarly broad-based and ranges from those in highly-skilled disciplines to blue collar. One report shows more than 100,000 engineers in the area, 24,000 business consultants, 4700 physicists and 1000 geologists.

Availability of high-level talent has caused many corporations to move their headquarters to Los Angeles. Among them are Union Oil, Litton Industries, Lockheed California Corp., and AM International, Inc. (formerly Addressograph Multigraph Corp.). AM International recently moved to Los Angeles' prestigious Century City.

Chairman Roy L. Ash says, "We moved AM International's corporate headquarters from Cleveland to Los Angeles last year to place ourselves in the center of advanced technology. We're becoming a leader in the business of information management, one of the most rapidly-growing industries of the future and one totally dependent upon continual innovation.

"If we're going to keep the company positioned at the forefront of technology, it is important that we, its managers, locate in an environment that is innovative and growth-oriented—where we're surrounded by new ideas.

"We considered other high technology centers, but none seemed so dynamic or eager to face the future as Los Angeles."

The city's longstanding reputation as a major source of upper and middle-level management has perpetuated the belief that high-paying aerospace and electronic industries, moreover, have driven wage rates proportionately upward throughout employment spectrum.

A recent Wells Fargo Bank report refi that notion. Although speaking of Califo in general, the report's observations are pecially pertinent to Los Angeles beca that's where most of the state's employm is centered.

"Wage rates are generally above natio averages—which is the main reason why state's personal income is above the natio average," says Wells Fargo. "This, howe is significant only if the higher pay scale is offset by greater productivity.

"The record indicates that Californ workers are in fact more productive, at l in the manufacturing sector, where meas ment is possible. When California's rec record is compared with the other nine le ing manufacturing states these facts eme

"1. Four of the nine states have hig average hourly wages in manufacturing.

"2. Eight states lost more time du work stoppages.

"3. California has led all states in aver hourly value added by manufacturing basic measure of productivity.

"Taken together, these factors stron suggest that California's relatively h wages simply reflect high productivity."

That Los Angeles has harmoniou assimilated a wide range of peoples, inter and talents—not only among native An icans, but from throughout the world seen as a strong contribut factor to the quality of the workforce.

"We have a unique blend of people," s Mrs. Howard Ahmanson, a commun cultural and business leader. "Los Ange population includes a greater representa of people from every state in the union t any other city. This gives us a highly des ble blend of many talents and outlooks."

Mrs. Ahmanson recalls that foreign-b immigrants were largely responsible for growth and importance of Chicago and N York. "The native-born Americans who coming to Los Angeles to better the selves in every way are the new wav immigrants.

"Los Angeles also is benefitting from profound influence of the large Hispanic Japanese populations. There has, moreo been a great influx of workers from Ko and other nations in the Pacific Basin. Wh you see all these people working togethe harmony and as hard as they do, you kn Los Angeles has an unexcelled poo labor."

Latest available California Employm Development Department figures show workforce includes more than 318,0 Blacks, 533,000 Hispanics, 55,400 J anese, 20,400 Chinese, 16,400 Philippi and 4200 Koreans.

How can Los Angeles assure my co pany of adequate energy, water a utilities?

Reliable and reasonably priced electr

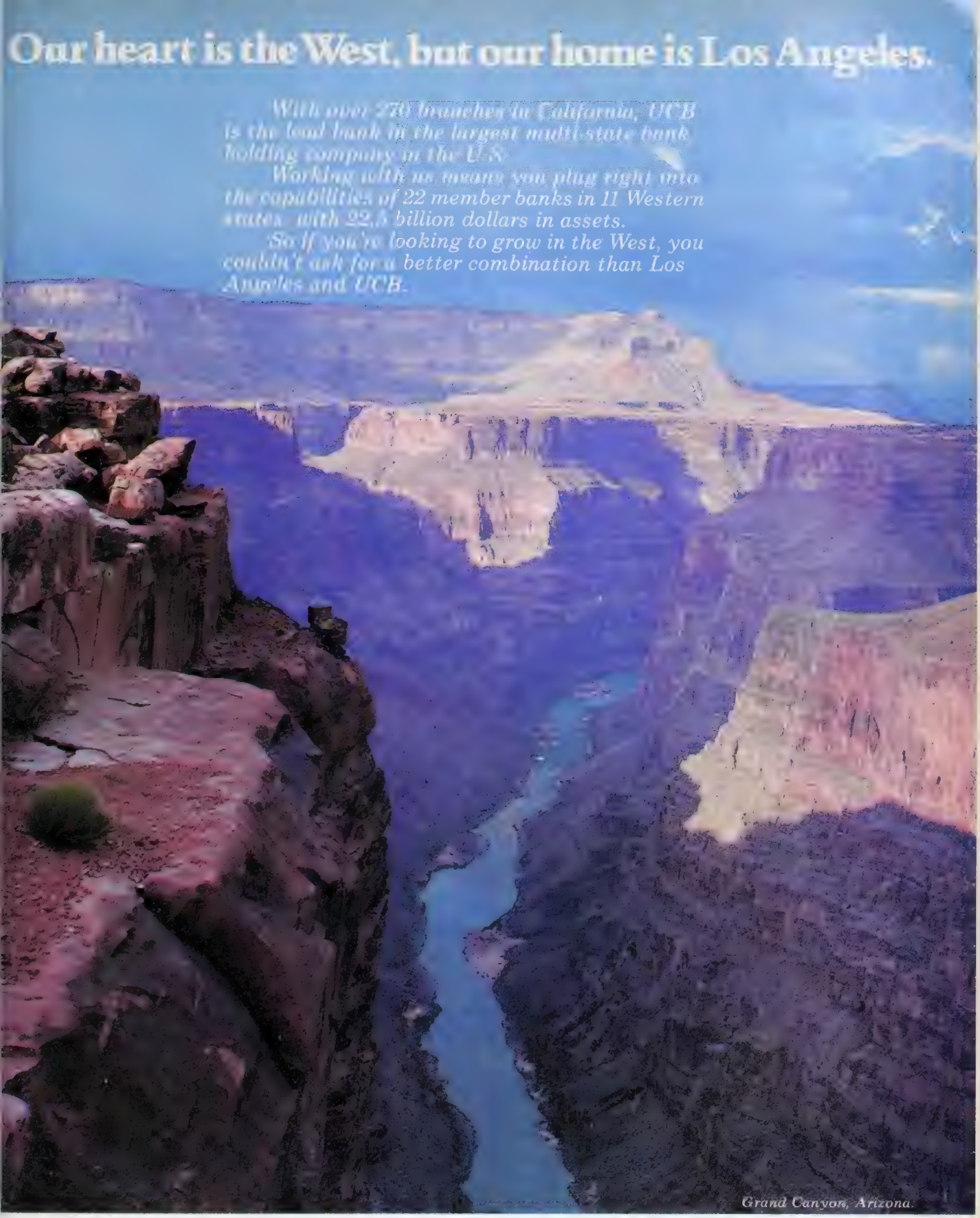
Paul Ditzel, *author of "Los Angeles: The New Look," has written seven books and more than 400 magazine articles which have appeared in most national publications. Ditzel has lived in and written about Los Angeles for more than 25 years. He is President of the American Society of Journalists and Authors, Southern California Chapter.*

Our heart is the West, but our home is Los Angeles.

With over 250 branches in California, UCB is the lead bank in the largest multi-state bank holding company in the U.S.

Working with us means you plug right into the capabilities of 22 member banks in 11 Western states with 22.5 billion dollars in assets.

So if you're looking to grow in the West, you couldn't ask for a better combination than Los Angeles and UCB.



Grand Canyon, Arizona.

UCB

UNITED CALIFORNIA BANK

Member FDIC
A Western Bancorporation Bank

For the first time in several years, 75,000 contiguous square feet is available for lease.

Most people think Occidental Life completely occupies the Occidental Center. This isn't true; space is rented to other tenants. Now, units of 3,000 to 75,000 square feet are available including two connecting floors of 37,500 square feet each, which together provide 75,000 square feet contiguously.

To find out how you can locate your company in the Occidental Center, contact Arch Robinson, 213/742-2701.

Occidental Life
A Transamerica Company

and water service have historically been major factors in attracting large industrial and commercial users to Los Angeles. The city's Department of Water and Power (DWP) is the largest municipally-owned utility in the United States.

DWP is widely recognized in the business and financial community for its superior management with foresight in planning future requirements. The utility's $40 million revenue bond issue last October was well-received. Proceeds will help to finance a capital improvement program aggregating $193 million, including the purchase of a 30% interest in a coal-fired generating station in Arizona.

The DWP's system capability of 6,300,000 kilowatts will be increased to 6,800,000 by next year. There has never been a disastrous power outage in any area served by DWP.

Through various agreements, the utility insures a water supply for present and future requirements by drawing from an area roughly encompassing the southwestern United States. Despite a recent drought, one of the worst in California's history, DWP customers reported only minor inconveniences by the time the drought was over.

Natural gas is the primary energy source for heating homes, offices, stores and commercial buildings in Los Angeles. The state has reserves to supply nearly all of the area's requirements. Providers are continuing a successful conservation program while opening up new sources. Among these are a coal-gasification plant in New Mexico and a six-year contract which was recently signed for a daily flow of 240 million cubic feet of gas from Alberta, Canada.

Environmental constraints have been major inhibiting factors to the construction of new power plants in the Los Angeles area. What could be a major breakthrough was a recent California Air Resources Board (CARB) announcement that available emissions controls can now make coal an attractive alternative to the oil and gas that have been used.

The special significance of this announcement is that extensive coal deposits are in nearby states.

"Coal can be burned with less emissions than from the use of oil or natural gas," says Thomas C. Austin, CARB's executive officer. Using fabric filtration (baghouse) and scrubber control systems, coal's particulate matter and emissions of sulfur oxides and nitrogen oxides are able to meet all state and federal air pollution control requirements, says Austin..

Resulting lower costs of power to business and industry would be a welcome bonus. Austin said studies show that electricity produced by a coal-fired plant with the new emissions controls would cost rate payers 13% less than power produced from either oil or gas. Coal is cheaper, he explained.

Telephone and other communications companies serving Los Angeles business are

Our word made history.

1769 Citrus introduced to California by Spanish Missionaries.

1873 Two "parent" California navel trees arrived from Brazil. (All navel oranges are decendants of these trees.)

1875 First navel oranges picked in California for marketing.

1885 Earliest California growers organization to market fruit failed due to lack of cooperation.

1890-93 Succession of disastrous "Red Ink" marketing years for growers due to unreliable train service, low prices, oversupply of oranges, poor distribution.

1893 April 4. Sixty orange growers met in Los Angeles and organized a marketing cooperative to give small growers marketing equality with large growers, and coordinate distribution.

1894 March 1. Executive Board of California Fruit Growers Exchange formally opened in Los Angeles.

1900 First export of oranges began with gift to Queen Victoria.

1905 California Fruit Growers Exchange incorporated as a cooperative.

1907 First use of the Sunkist trademark for citrus fruit.

1908 First formal produce advertising launched by the Exchange in the *Des Moines Register and Leader.* Sales increased by 50% in Des Moines.

1909 Sunkist trademark registered.

1910 First inspector employed to check quality of fruit.

1914 Sunkist products division began with a small marmalade factory.

1916 Sunkist created new use for fresh oranges with "Drink an Orange" ad. Orange usage increased from ½ orange per serving to two.

1920 The Exchange was first national advertiser to mention vitamins in copy, with emphasis on vitamin C.

1923 Exchange prepared and distributed 100 million educational pamphlets to teachers, doctors, dentists, and public health officials regarding healthfulness of citrus.

1926 Sunkist trademark first successfully stamped on fresh oranges.

1927 First commercial radio broadcast from California to East Coast sponsored by the Exchange. First advertiser to use motion picture stars on radio.

1940s Concentrated citrus juice furnished for U.S. school lunch program.

1952 California Fruit Grower Exchange renamed Sunkist Growers, Inc.

1977 Annual sales topped $500,000,000.

1978 New Sunkist fruit stamp introduced.

1979 Sunkist Growers, Inc. now comprised of about 6800 growers in California and Arizona with an average grove of under 40 acres and sales of 3 billion pounds of fresh fruit annually throughout the world. And, on the average, every ten minutes around the clock, every working day of the year, a 25 ton load of citrus is delivered to a Sunkist products facility.

1980 A bullish look towards the future.

Sunkist, and Sunkist are trademarks of Sunkist Growers, Inc. ©1979

offering steadily expanding capabilities marked by a high degree of sophistication. Pacific Telephone recently built a 16-story, 350,000 square-foot facility with a microwave tower on the roof to serve customers in the new downtown and surrounding areas.

Los Angeles' first Video Phone Conference Center was recently opened. It permits business conference audio-visual hookups with other firms in major cities throughout the United States. Electronic switching and international direct-distance-dialing are other services that more businesses are using.

Southern Pacific Communications Co., a subsidiary of the railroad, operates a coast-to-coast microwave telecommunications network serving 45 metropolitan areas in 17 states and the District of Columbia with voice, data and facsimile transmission service to industrial, commercial and government customers.

In direct competition with the Bell System, SPC's service "utilizes computer-controlled switching equipment that is usage sensitive and will therefore produce substantial cost savings for large and small businesses," says C. Gus Grant, SPC President.

How efficient is Los Angeles' transportation system in providing my company with fast access to local, national and foreign markets?

The area's interlocking system of trucks, railroads, port facilities and air transportation operates the year round. Traffic managers do not have to worry about snowbound rail yards, streets and freeways, ice-clogged ports or cargo planes grounded by weather.

The California Trucking Association's Jack Register says there are 10,000 commercial trucking companies operating in the Los Angeles area. With more than 626,000 registered trucks in the county alone, Lo Angeles probably has the heaviest and mo diversified concentration of truckin capabilities in the world.

Los Angeles County's 480-mile freewa system provides an unexcelled distributio network for local pickups and deliveries a well as quick access to the interstate syste Trucking in the Los Angeles area is a high competitive market with attractive rates an fast schedules to local, regional and easter

Santa Fe's computerized classification yard

markets.

The three railroads serving Los An geles—the Santa Fe, Southern Pacific ar Union Pacific—are among the nation financially-healthy carriers. Facilities, mai tenance of equipment and right-of-wa therefore, are among the best in the industr

These carriers have set standards f faster, more efficient and safer handling ladings that are being adopted by the rest the industry. The SP's recently-complete West Colton Yard, largest in the Unite States, handles around 3000 cars a day wi up to 30 daily trains in and out of the L Angeles area. The Santa Fe's newer Barstc Yard handles around 138,000 cars and 34(Santa Fe and 480 Union Pacific trains month.

Rail yards are traditionally traffic bc tlenecks. Cars in older yards sometimes for days. Normal in-and-out traffic at We Colton and Barstow is measured in hou The yards are completely automated a computer-controlled to expedite the flow traffic.

The three carriers also operate spec freights which greatly shorten delivery tim to eastern markets. Many are unit trains containers and truck trailers on flat cars de tined for eastern, southern and Paci northwest markets.

SP Vice President Larry E. Hoyt sa they handle as many as five container/trai trains in and out of Los Angeles a day. The expedited movements are on runni

We look to L.A.'s future with growing interest.

We are proud to have been a part of this growing city, and we know that the future of L.A. is going to be even brighter. If you think there's a place for your business in L.A.'s future, come talk to us. We've been here for over 40 years.

MEMBER FSLIC

EQUAL HOUSING LENDER

COAST FEDERAL SAVINGS

The Money Multipliers®

Coast Federal Savings and Loan Association
Assets over $2 Billion Offices throughout California

INFORMATION MANAGEMENT. DOES IT THREATEN THE WORK ETHIC?

The American work ethic has always assumed that if you worked hard, your efforts would be rewarded.

We wouldn't argue with that. But we would like to amend it a little.

The way we see it, working hard isn't nearly as important as working well.

Information Management isn't a way of sidestepping hard work. It's a way of making it more productive.

For example, there's no virtue in having to spend hours typing, retyping and re-retyping documents. So we make electronic typing systems that let you type, revise and retrieve information in a lot less time. Which gives you a lot more time to create and perfect it.

To make information easier to work with, we make a full range of copiers, duplicators and computer printers. Ones that not only reproduce, but can reduce, collate or even print in color.

To make information more accessible, we have Telecopier transceivers and communicating typewriters that transmit information crosstown or cross-country in minutes.

We even offer computer services that let you manage information without having to manage a computer.

So you see, Xerox information management systems are actually the epitome of the work ethic.

They work harder. So you can work better.

XEROX

XEROX® and Telecopier® are trademarks of XEROX CORPORATION

Many decades ago the cultural growth of El Pueblo de Nuestra Senora La Reina de Los Angeles began to flourish.

Now America's third largest city is a world leader in providing artistic nourishment that enriches the lives of millions.

Now because thousands in this city are dedicated to cultural growth, artistic substance is available to us all—and all who follow us.

TRW

Things grow bigger in California.

If you're looking for a new climate for growth, come to California.

We're proof of what can happen when a well-managed organization puts its roots down in the right place.

It took us less than four decades to become the nation's largest federal savings and loan association.

In a half-century we've expanded from a single Los Angeles office to more than eighty offices statewide.

Over half a million Americans and businesses entrust their savings to us.

And we're still growing.

You're better off in California...

CALIFORNIA FEDERAL

Nation's Largest Federal

California Federal Savings and Loan Association • Assets over $5 billion • More than 80 offices statewide.

Head Office: 5670 Wilshire Blvd., Los Angeles, CA 90036.

schedules of around four days between Los Angeles and the SP's East St. Louis gateway to midwestern and eastern destinations. SP schedules call for around three-day delivery to the Memphis and New Orleans gateways leading to eastern and southern markets.

Santa Fe symbol freights run on 49-hour schedules between Los Angeles and Chicago. The Santa Fe recently innovated an articulated flat car system for expedited handling of truck trailers between Los Angeles and Chicago. Each "Ten-Pack" car piggybacks 10 trailers. The UP similarly operates its SSS expedited hotshots to Pacific northwest markets and the LAX trailer/container trains to Chicago.

Much of this traffic begins and ends at intermodal terminals operated by the carriers in the side-by-side ports of Los Angeles and Long Beach or close to industrial and commercial districts.

The SP's intermodal center near downtown Los Angeles, for instance, is strategically close to several industrial areas, notably the thriving apparel district. Trucks have close access to the freeway system. Tracks in the terminal are capable of handling nearly 200 piggyback flats and there is space for more than 650 trailers. Piggy-Packers load and unload trailers and containers in only 90 seconds each. Several major freight forwarders are located in this center.

The Ports of Los Angeles and Long Beach set new tonnage handling records in 1978 as nearly 9000 ships entered the harbors. Los Angeles, the leading Pacific Coast port in the amount of cargo handled, registered 38.6 million tons, an increase of 3.5 million over fiscal 1977. Long Beach, meanwhile, handled more than 33 million tons.

Both ports are city-operated and self-supporting. They are ideally situated with berthing facilities located between one and three miles from the Pacific. The ports are probably the nation's busiest container handlers. Facilities are constantly being upgraded to expedite the flow of cargo and to meet future requirements. Long Beach projects it will be handling 110 million tons of cargo by the year 2000.

Highly specialized equipment has reduced the average stay of ships in port to less than 48 hours. Bulk-carriers require less than half that time at dock. Container ships often are sped on their way with an eight-hour turnaround time.

Berths have quick, no-stop light access to freeways to further expedite cargo off-loaded onto trucks. Unit trains of containers and trailers quickly start on their land brid movement. A typical land bridge involv cargo from Japan to Los Angeles via co tainer ship. Containers are loaded onto u trains of flat cars and sped across country an eastern port for loading onto a sh bound for Europe.

Major capital improvement programs a progressing in both ports. The Port of L Angeles has begun a $21 million Seasi Container Terminal complex which is d for completion within two years. Seaside w be the largest single contiguous contain terminal on the Pacific Coast. As many five container vessels will be handled simu taneously at a 4000-foot-long wharf. S container cranes, plus other features, will e able the facility to handle an average of 4 million tons of cargo a year.

Long Beach's largest single revitalizati project in the port's history was this yea completion of the new Omni-Terminal. Th 2000-foot-long pier provides 45 acres dockside land and 40 acres of service ar for container and break-bulk in cargo oper tions. Two 40-ton Paceco gantry cranes a located berthside.

Recently completed, too, was the Kopp export grain terminal expansion, an inve ment of nearly $10 million. Capacity w

Container offloading, San Pedro Harbor

Los Angeles is shipping gateway to Pacific Rim countries

"MOST BANKS LIKE TO COME UP WITH CREATIVE NAMES FOR THEIR SERVICES. WE LIKE TO COME UP WITH CREATIVE ACTION."

John Miner, Senior Vice-President & Manager, Corporate Banking Division, Southern California Headquarters.

How does your creative action affect your position in the Southern California marketplace?

Southern California is very big, very open, and very upfront. In terms of business, it's much more freewheeling. Many of our customers are relatively young companies. But old or young, in our marketplace they're aggressive, innovative and evolving. They expect a different kind of bank. A more creative bank. And, I think that's where Crocker fits in.

How is Crocker a more creative bank?

By having the flexibility required. The promptness of response and the willingness to entertain something that may be off the beaten track. Something that may not necessarily be the norm.

It's been said that Crocker is an old-line San Francisco bank. Is that true?

It is neither old-line, nor is it a San Francisco bank.

It's a California bank—long established, yet vigorous. We have developed a thoroughly capable, seasoned corporate banking staff right here in Southern California, including groups specializing in the Natural Resources and Entertainment industries. Those are in addition to our international, merchant and investment banking, trust and outstanding funds and cash management capabilities.

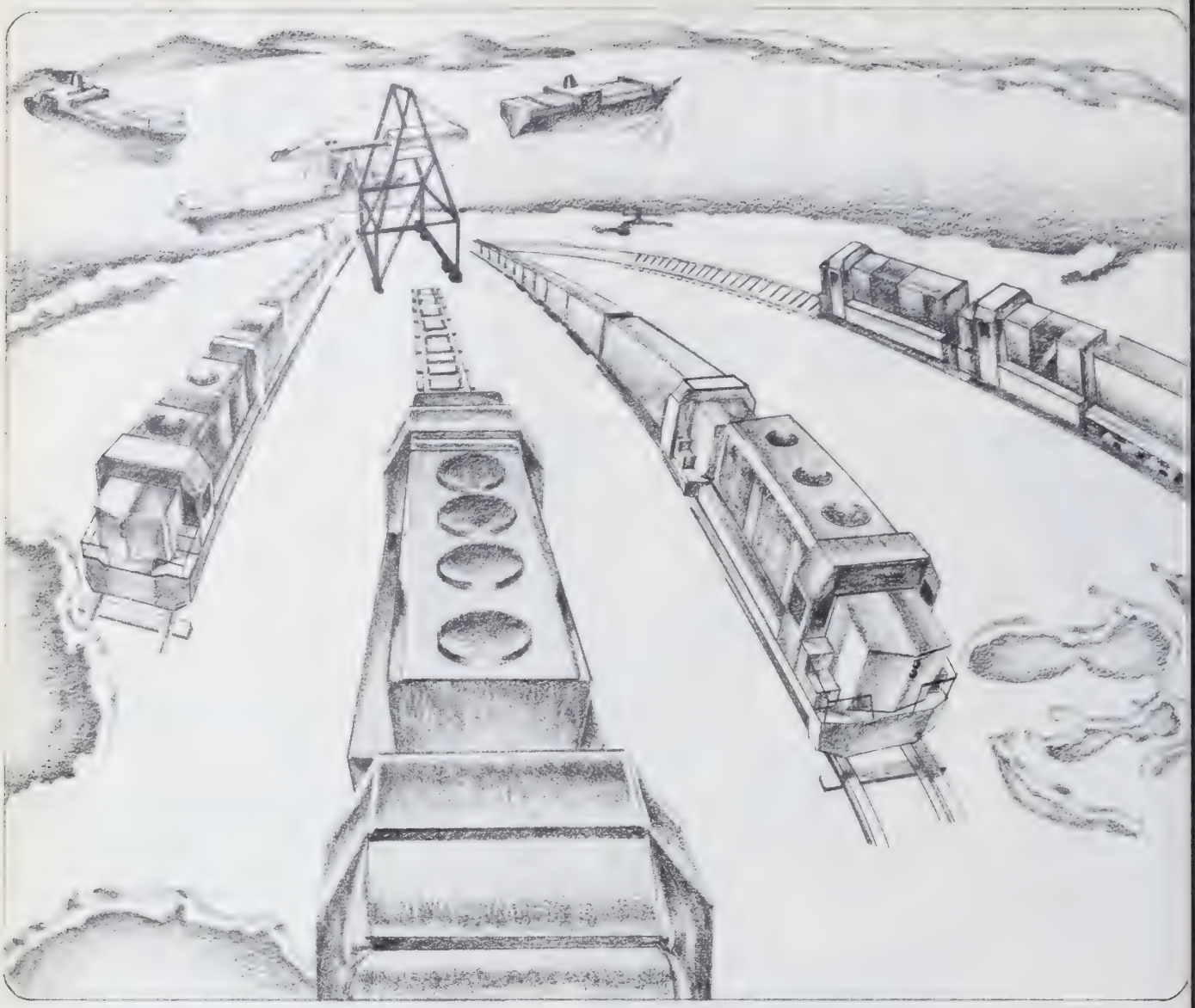
What's more, we have more branches in Southern California than in Northern California. So, as you can see, there's no need to look to the north, or to any other direction to accommodate the needs of our community here.

At Crocker Bank we believe we should earn your business. So we'd like you to contact John Miner, Senior Vice-President and Manager, and really give him the business about Crocker's corporate services. To start the dialogue, call him at (213) 612-8572.

Give us the business, then give us the business.™

Crocker Bank

©Crocker Bank-1978
Member FDIC



Why the Far East is closer by land.

Mini-landbridge the L.A. Way and shorten your shipping schedule. As an originating or second leg port, Los Angeles puts you days closer to the Far East and other parts of the world.

Recent studies conducted by the Port of Los Angeles confirm that intermodal growth is the biggest change in shipping since containerization. Compared with traditional routes and methods, more shippers will soon be able to move the same amount of cargo faster and with fewer ships. And point-to-point mini-landbridge costs are already competitive as elements of the intermodal system mature.

To prepare for the projected shift in shipping trends, Port of Los Angeles will be investing $250 million over the next 5 years on improved and expanded facilities and services.

Much of this will be spent on major container terminal expansion. For example, the Seaside Container Terminal complex now being developed will have a 5,000-ft., all-concrete wharf, six cranes and 130 acres of backland. One of the largest and most efficient terminals in the world, it will easily handle six containerships at berth.

Find out why shippers already mini-landbridge the L.A. Way.

For our new brochure, write Robert D. Kleist, Director of Trade Development, Port of Los Angeles, P.O. Box 151, San Pedro, CA 90733

PORT OF LOS ANGELES

Which bank delivers you a whole world of financial knowledge?

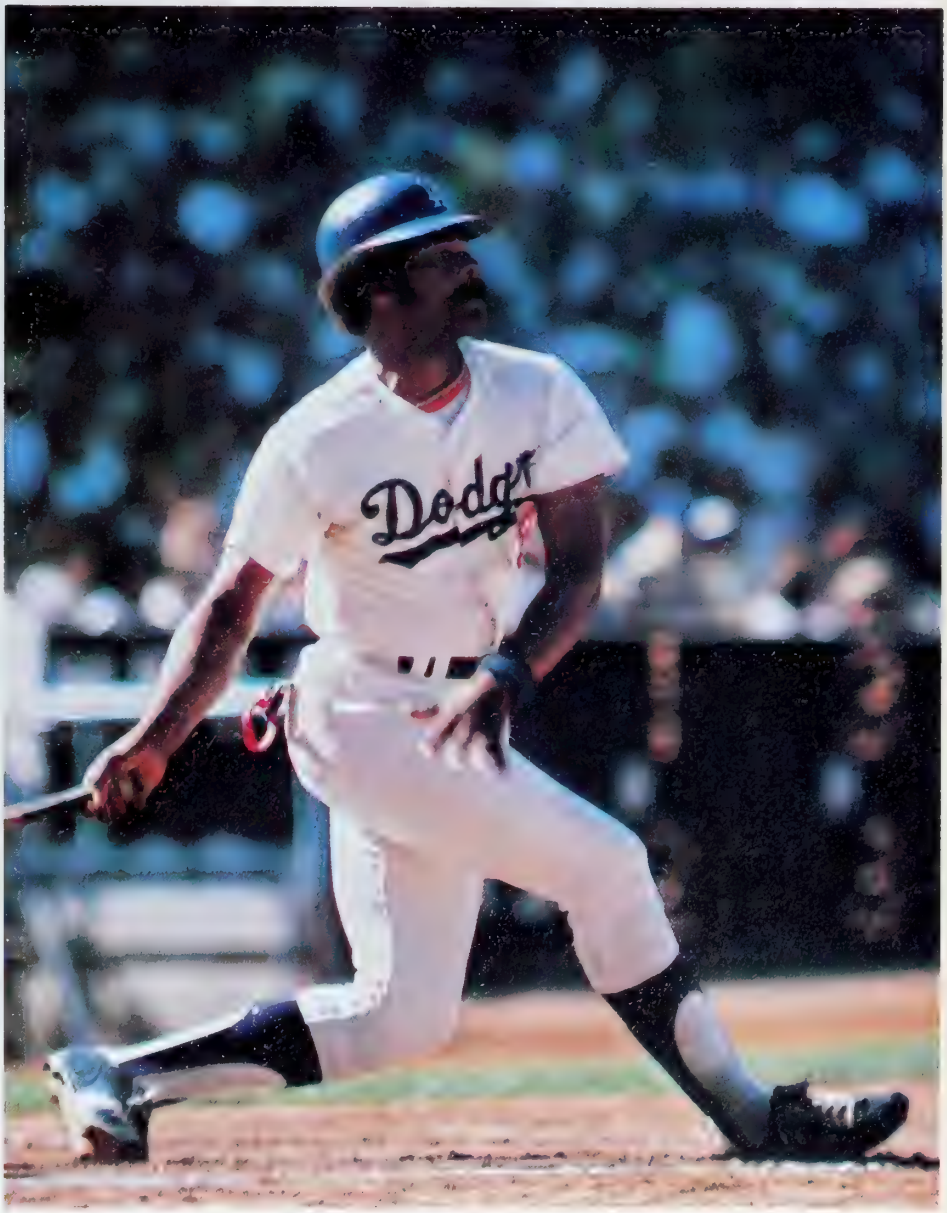
do. Bank of America. When it comes to finance, we there — our money centers and branches around the be keep us in constant daily touch with fluctuations ll major currencies. We have the expertise based on rs of experience to help evaluate these changes to imize exposure. Our analysis of economic situations ased on facts: facts about various economies, udes toward foreign investment, tax incentives, government controls and regulations, the labor situation, the banking system and monetary regulation — the kinds of facts that can have a vital effect on your business.

This kind of knowledge can go a long way towards improving your company's profits. So if you would like to profit by our experience around the globe, remember us. We're the bank that knows what the real world offers you.

BANK OF AMERICA *One step ahead.*

A. SHERMAN

SPARKS



RICHARD S. KEE

The performance-proven now over 1,400 engine

More than 1,400 Garrett TFE731 turbofans—the choice for 14 different business jets—now offer the kind of reliability, minimum cost operation and environmentally acceptable performance you want in modern business jets. Here are some of the reasons why:

One million hours...and flying. TFE731 engines are now working on their second million hours, chalking up nearly 40,000 hours a month.

That's the kind of utilization that proves customer acceptance.

State-of-the-art reliability. Garrett continues to improve the TFE731's dependability. More than 20 major product improvements have been incorporated in TFE731 design and construction to help give owners better-than-airline reliability levels.

SOAP. We developed a Spectrometric Oil Analysis Program (SOAP) to monitor oil and filter performance at periodic intervals. By detecting unusual metal wear, SOAP can warn of possible mechanical failure. If yo believe in regular physical check you'll believe in SOAP.

A maintenance plan that sav Our optional Maintenance Servic Plan (MSP) offers accurate maintenance budgeting over extended periods. And now, than our engine reliability improvemen

GARRET

urbofan fleet...
trong.

n, we've lowered the cost of MSP.
've extended the TFE731's
y to 1,000 hours or 24 months.
nd the clock hotlines,
the world service.
ours problem? Use our hotlines
response. From California call
52-3484. From the rest of the U.S.,
0) 421-3831.

From anywhere else in the world, phone (213) 421-2723. During normal working hours, you'll get faster-than-ever service from the 21 Garrett-approved service centers wherever in the world you fly TFE731 turbofans.

All this means a Garrett-powered business jet is a better buy today, a better value in the years to come.

For the complete story on Garrett's TFE731 turbofans, contact Sales Manager, Aircraft Propulsion Sales, AiResearch Manufacturing Company of Arizona, P.O. Box 5217, Phoenix, Arizona 85010.

GARRETT **The Garrett Corporation**
One of the Signal Companies

FE731 TURBOFAN
eliable power for 14 business jets

doubled to 65,000 bushels an hour. Modernization of Long Beach's Pier G petroleum coke terminal permits more efficient handling of this port's second largest export.

The phenomenal growth in tonnage handled by the Los Angeles-Long Beach ports points up their ascendancy to major world status as well as their superior positioning as the gateway to and from the Pacific.

Commerce between Los Angeles and more than 163 nations augurs a steady growth pattern. "Foreign trade is growing and will continue to stimulate overall business activity in the Los Angeles area as the ports handle a rising volume of commerce," says a Wells Fargo report.

Much of this export-import traffic is with Pacific Rim nations where trade has increased to $13.6 billion in fiscal 1977, compared to the previous year's record high of $11.6 billion. Export trade with Asian nations (excluding Japan) accounted for 32.6% of the total $6,255,910,000 exports; followed by Japan, 24.6%; Europe, 22.9%; Latin America, 4.4%; the Middle East, 4.3% and 11.2% with the balance of the world.

Leading export commodities were aircraft and parts, non-electrical machinery, electronic and electrical machinery, raw cotton, and scientific optical equipment.

Import trade totaling $12,480,981,000 was mainly with Japan, 39.7%; Asia, 32.6%; Europe, 13.5%; the Middle East, 6.1%; Latin America, 2.6% and 5.5% from other nations. Imports were led by petroleum products, motor vehicles, radio-TV equipment, non-electrical machinery and apparel.

Air cargo is enjoying a similar growth pattern in Los Angeles. Officials at Los Angeles International Airport, the third busiest commercial air travel center in the world, say that in addition to 32.5 million passengers—a figure which increases yearly—air cargo also shows gains. More than 1.5 million pounds were carried during fiscal 1976-77; a 5.3% increase over the previous period. This was the largest increase in five years.

Cargo volume forecasts indicate the airport will require between 107 and 137 more acres of cargo-handling space by 1985 and up to 221 acres by 1990. The Cargo City portion of the airport is rapidly outgrowing its facilities. A master plan calls for a se Cargo City to be built on the opposite si the field.

Do I have a supply of raw mater near Los Angeles?

Los Angeles is situated near the cent one of the world's greatest concentratio minerals and other raw materials, ma them scarcely tapped.

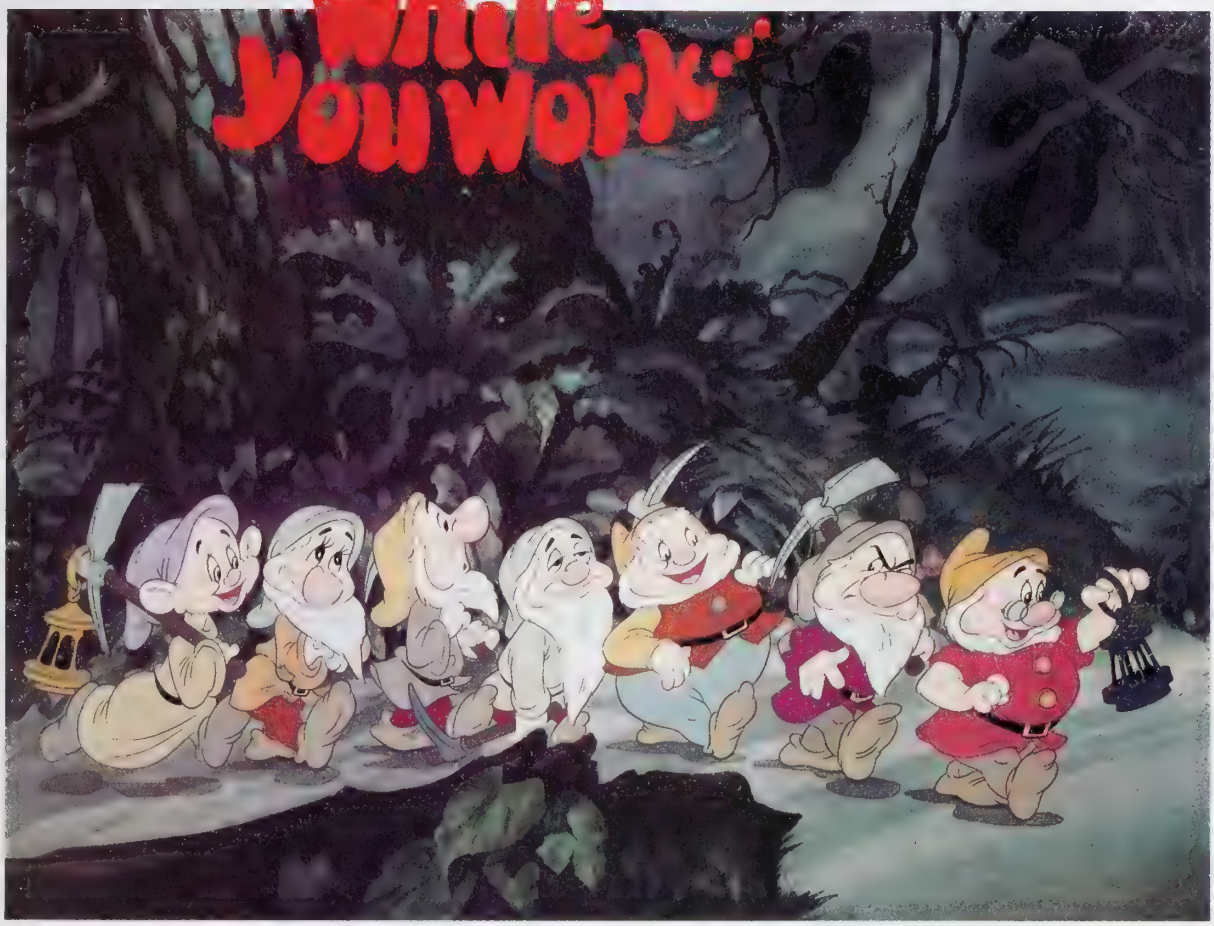
The state ranks third nationally i value of its mineral production. Califor the country's chief producer of asp boron minerals, chromite, diatomite, cury, sand and gravel, sodium carbonat sodium sulphate. Near Los Angeles are plies of bromine, cement, gypsum, pumice, lime and asbestos. Most of the iodine and potash produced in the U States comes from areas around Los An To the north of the city is the world's l reserve of borate minerals.

Coal, which many authorities believ return to its primary role as an energy sc is in abundant supply in nearby Ari Utah, Colorado, Wyoming, Montana

Pacific Design Center

Dorothy Chandler Pavilion, Music Center

Whistle While You Work...



In 1923, Walt Disney described Los Angeles to a fellow artist as "...the place for you—a real country to work and play in." And that holds true today.

As a creative center, Los Angeles has provided us with our family of designers, artists, film crews, skilled technicians and "imagineers." We have fun on the job and off the job. We can take advantage of a recreational climate, and working and living conditions that are unmatched. All year long.

Southern California and Los Angeles have been good to us. And that's one of the major reasons why we can whistle while we work. And why you should consider it.

WALT DISNEY PRODUCTIONS

© Walt Disney Productions

Sears chose an Upland site for their Los Angeles warehouse.

(Now they've got the goods on us!)

In recent years, West Bend Electric, Sears, Kraft Cheese, Honda, Boise Cascade, and many other major manufacturing concerns have looked to Upland for new industrial sites. And for good reasons —like abundant raw materials, proximity to growth markets, and labor availability. ▫ Since Upland is the real estate company for Union Pacific Corporation, each site is served by the Union Pacific Railroad —providing efficient transportation with access to air and highway systems. ▫ Upland sites are available for sale or lease in thirteen central and western states: California, Colorado, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, Oregon, Utah, Washington, and Wyoming. ▫ For specific site information including environment, taxes, labor, transportation, and energy sources, write in confidence to: Howard F. Hansen, Executive Vice President, Upland Industries Corporation, 110 North 14th Street, Suite 1000, Omaha, NE 68102.

Upland Sites of America

Upland Industries is a wholly-owned subsidiary of Union Pacific Corp.

ew Mexico.

The Santa Fe operates a 90-car unit coal ain from New Mexico to the Kaiser Steel ant outside of Los Angeles. The round trip om mine to Kaiser and back again takes only 5 hours. Iron ore for Kaiser's furnaces ickly comes from nearby Eagle Mountain in verside County.

Immediately north of Los Angeles is one of e world's major sources of cotton. Around % of the nation's timber is milled in North- n California and Oregon forests—but a few ys delivery time to Los Angeles by truck or in.

hat is the growth potential for my siness in Los Angeles?

The diversification of industry in and ound Los Angeles is one of the city's major engths. More than 50 of the nation's top 0 industries are located in Los Angeles unty, says the Los Angeles Area Chamber Commerce.

Gone is the era when aircraft, entertain- ent and tourism dominated the economy th resulting peaks and valleys. Although ese industries remain important to the Los ngeles mix, it's pertinent to note what ppened during the recent period when rospace cutbacks resulted in some 7,000 layoffs.

"Growth in other manufacturing indus- es was sufficient to offset these heavy sses," reports Wells Fargo Bank. "The oadening of the region's base will continue provide opportunities for other types of nufacturing activities."

United California Bank economists ncur.

A UCB report on Los Angeles County ys, "Out of 21 major industries—those that ploy more than 50,000 workers—seven uld be considered basic industries. These e industries whose sales of goods and/or rvices could generate 'new' dollars for the unty's economy."

Five of these industries have "above erage" growth potential through 1985 nd most have the added advantage of not ing major sources of pollution."

The report lists them as wholesale trade, siness services, electric equipment nufacturing (the major component is mmunications equipment), aircraft man- acturing, non-electrical machinery man- acturing (major component is computers) d apparel manufacturing. Tourism also ows high growth potential. Southern Cal- rnia visitors spend an estimated $2.4 bil- n a year.

The distribution of employment in the s Angeles area gives further evidence of e broad-based economy. Among durable ods manufacturing, transportation equip- nt leads with 15.7% of the area's total em- yment of 4,401,200, followed closely by ctric and electronic equipment, 14.9%. so among the top 10 employers: machin- , except electrical; fabricated metal prod- ts, instruments and related products, niture and fixtures.

Non-durable goods employment is led by apparel and other textile products, 7.8%; food and kindred products, 6.3%; printing and publishing, 5.6%; rubber and miscellaneous plastic products, 3.8% and chemicals and allied products, 3.4%.

It is slight wonder that the Los Angeles area is a major retail and wholesale area when effective buying income is $72,188,740,000—more than half of which is in Los Angeles itself—according to the Los Angeles Area Chamber of Commerce.

Retail sales in 1978 will top $29,875,000, up 12.5% over the previous year and comparing favorably with the national average increase of 10.9%.

Indicative of the growth potential in this segment of the county's economy was the November announcement by K Mart Corp., operator of the nation's largest chain of discount stores, that they have purchased a site near Los Angeles for a 1 million-square-foot distribution center with expansion possibilities to nearly 2 million square feet. The structure will be among the largest of its kind in the world.

Three of the area's foremost wholesaling hubs are the California Mart and the Home Furnishings Mart, both in the downtown district, and the Pacific Design Center on the city's west side.

The 14-story California Mart is a bustling international showcase for 1500 tenants who offer more than 10,000 lines of apparel that set style and fashion trends throughout the world. During special market weeks during the year, some 10,000 buyers are attracted to the showings. Mart sales in 1978 came to $3 billion—a 200% increase over those of 1973.

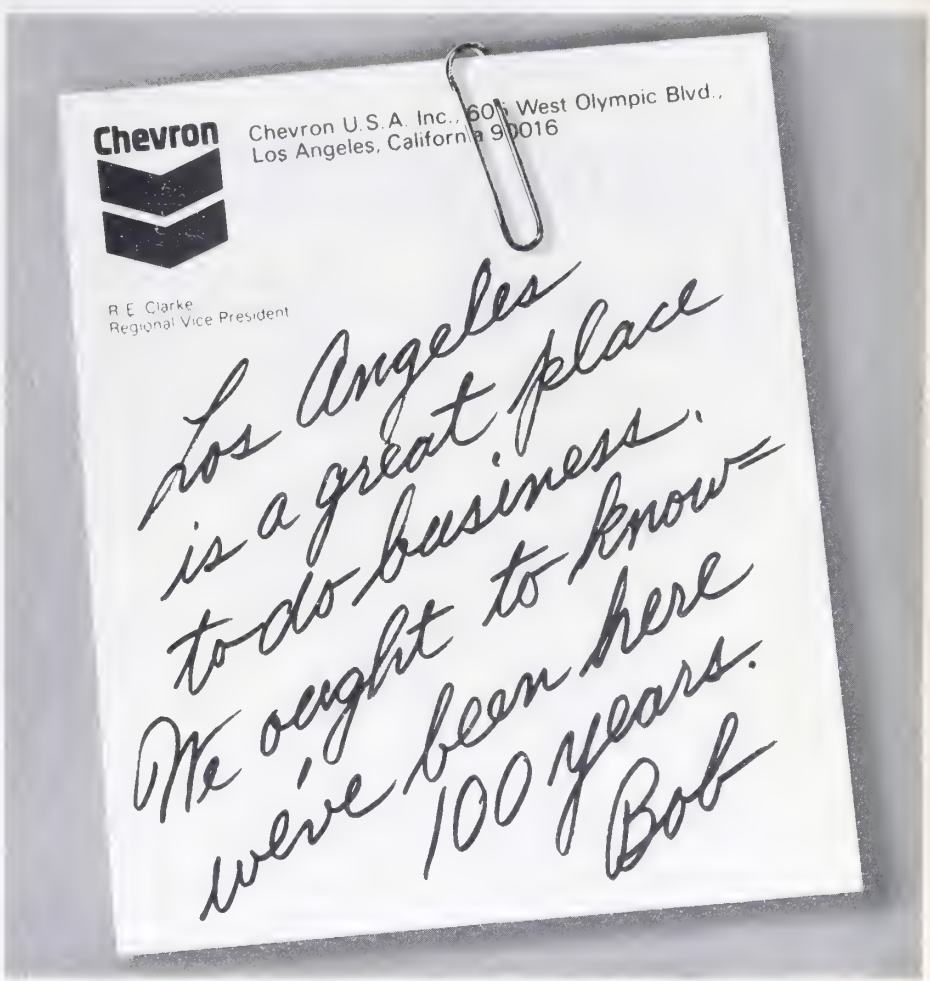
Plans for a $36 million Mart expansion include a 13-story addition scheduled for completion late this summer. The annex is 55% booked. An 8½-story parking facility will also be built and connect with the Mart via pedestrian bridges.

Nearby is the Home Furnishings Mart, largest in the West, with 13 floors and 400 tenants offering a wide range of furniture and giftware. About half an hour's drive from downtown is the elegant Pacific Design Center, winner of many architectural awards for elegance.

The center has 750,000 square feet of showroom and exhibit space for its 200 tenants which include residential and contract furniture suppliers, interior design specialists, floor and wall coverings suppliers, fabrics, lighting and accessories firms.

Executive Director Murray Feldman says Pacific Design tenants did $100 million in direct sales last year, compared to $81 million in 1977.

The aircraft and entertainment industries have, meanwhile, been enjoying an economic upswing. The world's air carriers are upgrading their fleets with new purchases. Much of that business, either prime or subcontract, is falling into Los Angeles' lap. The


Chevron
Chevron U.S.A. Inc., 6[illegible] West Olympic Blvd.,
Los Angeles, California 90016
R. E. Clarke
Regional Vice President
Los Angeles is a great place to do business. We ought to know— we've been here 100 years.
Bob

trend toward overseas production of movies has reversed and Hollywood has been enjoying good times as film-makers return to local production. Even before Mickey Mouse went on his cross-country 50th birthday celebration tour, Walt Disney Productions reported in November that fourth quarter earnings set a record.

Earnings increased to $37.5 million, or $1.16 per share on revenues of $241.8 million, up from the $32 million or 99 cents per share on revenues of $205.2 million reported a year ago. Full year profits rose to $98.4 million, compared to $81.9 million a year ago. Net income per share increased to $3.04 from 1977's per share net of $2.53. Twelve month revenues increased 18% to $741.1 million from $629.8 million reported a year ago.

Metro-Goldwyn-Mayer, Inc. similarly reported record revenues and profit for the year ending last Aug. 31. A 5% stock dividend was declared, along with a recommendation that shareholders approve a two-for-one stock split. Net income for the year came to $49.3 million, or $3.39 per share on revenues of $401.4 million. This was a 49% increase in profits and a 37% jump from a year ago.

But the impact of Los Angeles' entertainment industry is much more than financial. Employment is relatively small: some 20,000 craft workers, 29,000 actors and 16,000 musicians. Hollywood, as the world's

center of communications and entertainment exerts a worldwide influence, a fact which is especially remarkable considering that more than 90% of this world's recorded entertainment is produced within a five-mile radius of Hollywood.

That's one of the reasons why David Salzman, chairman and chief executive officer of Group W Productions (The Mike Douglas Show, EveryDay and others) opted last summer to move the Westinghouse affiliate's corporate headquarters from New York and Philadelphia to Los Angeles.

"If you want to be an important force TV production today—and probably fo long time to come—you have to be in entertainment capital," says Salzm "Here's where you have the most person ties and stars, today and tomorrow. Wh more, you have a resource pool of creat talent that runs the whole panoply from i people to the actual executors: the writ the directors, the producers.

"Los Angeles is where you have the b and most facilities. The state of the art te nology and production techniques are here," says Salzman.

"There is an extensive cultural menu Los Angeles that did not exist as recently 10 years ago. I think that indirectly helps, cause you don't have just movie stars, but kinds of interesting people. Those in the dustry who have said they would ne leave New York and other cities are now Los Angeles. It's fascinating, particularly doing reality TV shows which have tended be our stock in trade.

"Los Angeles is an ideal locale to do shows because the people who mount a shape the shows are influenced by the v ues, mores, lifestyle and environment which they live. I think that New York has l come atypical. Los Angeles today is not o representative of the country, but is in so key areas what America will be like tom row. People everywhere like to see and identify with that," says Salzman.

Manageable growth.

Demand for electricity is growing. Southern California Edison Company expects to add half a million customers over the next decade.

At the same time, fuel costs and new plant construction costs are rising.

How does a utility stay healthy in such a crunch? By managing its growth.

Edison is a leader in conservation. And effective load management programs are designed to shift electric usage from periods of peak demand. Homeowners are responding, and so are business customers. Since 1973, Edison representatives have contacted more than 40,000 commercial/industrial facilities to help stimulate and develop individual energy conservation plans.

Results? In 1977 the average annual kilowatt-hour consumption—industrial, commercial and residential—was below the levels recorded in 1973, reflecting in part the effectiveness of our conservation efforts. We have deferred some long-term new capacity needs as well.

The financial benefits will be shared by our 180,000 shareholders through growth in earnings, and by our 3 million customers through keeping rate increases at a minimum.

Even with these belt-tightening successes we project annual growth in peak demand of 3½%. Our reserve margins, fuel supplies under contract and generating capacity already under construction place Southern California Edison in good position to meet these future electric needs.

SCE

Southern California Edison

An Equal Opportunity Employer

Some people are better equipped to train than others. So are some machines.

Why you need MCA's Industrial Videodisc System.

It's the most versatile tool of its kind: a training system that can bring the new employee to immediate productivity, improve the performance of the skilled artisan, orient workers, some of whom do not speak fluent English, or offer one-on-one assistance to ambitious middle managers.

Why it has the edge.

It offers capabilities never before available in one system.

Most important, this system (we call it "DiscoVision") is *user-paced.* We don't all learn at the same speed and with DiscoVision, the learner sets the pace.

DiscoVision features picture quality better than film and high quality stereo sound—to detect engine defects from noise characteristics, to diagnose heart-beats, or to train simultaneously in a second language.

The Disc.

The heart of the stand-alone low cost unit is a lightweight plastic disc from which information is read by laser.

There are 54,000 separate frames on each side of the disc, which in straight-ahead play gives 30 minutes of full color, full stereo sound information. And because there is no surface contact, repeated use will not degrade the quality.

Information at your fingertips.

A hand-held remote control keyboard lets you run the DiscoVision program at your own rate. You can hold an image on the screen for as long as the user wants to study the picture; run sections slow motion, backwards or forwards; and you can access specific frames in, at most, 5 seconds.

Interaction between you and the machine is feasible. If you do not give the proper answers, the machine can ask you to review the material.

Economy.

The costs of both the discs and the player units are less than other systems which do less. What's more, your existing training systems can be easily replicated for DiscoVision—or very simply adapted for increased effectiveness.

A better way to learn.

That's the whole point of DiscoVision. To enhance your skills you need a skillful machine. And we think MCA's videodisc player is simply a more skillful machine.

MCA DISCOVISION®

The Industrial Videodisc System.

How much will land cost me and will there be room for expansion?

The U.S. Department of Commerce's Standard Metropolitan Statistical Area (SMSA) rating shows that Los Angeles has by far the largest industrial area in the nation. It is nearly twice as large in square miles as the combined total of the other five leading metropolitan areas.

"Pricing of improved industrial land over the five-county area varies greatly, ranging from 25 cents to $6 a square foot," says the Los Angeles Area Chamber of Commerce.

Coldwell Banker, a Southern California-based real estate firm, says the per-square-foot average of industrial property in all five counties for 1977 was $1.97, based upon 225 of their industrial transactions. This compares with a 1973 average of $1.43, which reflects a 7.4% annual increase. A 12% annual increase occurred in parcels of 10 or more acres during the same four-year period, with square-foot pricing climbing from 95 cents in 1973 to $1.52.

"In purchasing industrial properties today, there is a trend to overbuying," says the Chamber. "This is considered good business, because the excess sell-off at some future time is expected to pay for or offset the buyer's initial investment. That obviously indicates great confidence in the future market and growth potential by both the new and existing business communities."

What banking capabilities does Los Angeles offer me?

Executives considering a new headquarters or satellite business, commercial or industrial facility in Los Angeles have access to financing that cannot be equalled anywhere in the world. There is, moreover, keen competition among banks.

Los Angeles County has more than 800 banks and branches, including 28 foreign banking institutions which are proliferating because of the area's increasing world trade. These foreign houses represent every continent and most countries.

Latest available figures show Los Angeles commercial bank deposits of $38,898,646,000 and savings and loan institution balances of $38,653,457,000. Savings and loan organizations specialize in the residential real estate market.

Banking is a major growth industry in Los Angeles. An August, 1978, report by United California Bank shows a 56.9% increase in commercial bank deposits and a 59.6% increase in savings and loan balances in only six years.

Bank debits constitute the best measure of overall banking activity because they reflect the gross volume of banking transactions, including those not handled by the clearing houses. Bank debits of the Los Angeles SMSA totaled $1.1 trillion by mid-1977; up 39% over 1973.

Further evidence of Los Angeles' pr nent position as a world financial cent figures showing that the Los Angeles B of the Federal Reserve Bank of San cisco is the largest in the federal syste

What environmental constraints other considerations must I be a of before I make the decision to to Los Angeles?

The well-known fact that California only state with authority to enforce em standards tougher than those of the f government must be put into perspec

The purpose was not to punish in or the automobile driver but to add major health concern for everyone and working in Los Angeles as well as who will be bringing their industrie automobiles to the area in the years a

The program has had notable su Los Angeles residents are breathing c air today than they were nine years ag

Of significance to industry, howe that the new and improved emission trols being developed are being adop other states. Cleaning up the air, there not an interim investment by Los A industry as it is elsewhere where subse controls often force companies to in new equipment time and time again a states bring their standards up t Angeles.'

The Los Angeles area smog prob shared on a 60-40 ratio, with autom being the worst offenders. The So California Association of Governm addressing the motor vehicle problem proposed plan which will encourage use of carpools, vanpools, buses an ridesharing methods, including ex freeway and on-ramp lanes for high pancy vehicles and preferential park carpools.

The 40% of the problem attributed tionary sources such as factories and plants calls for altering operations, anti-pollution devices or using differe terials in production processes. Als posed are state guidelines which require new industries entering t Angeles Basin to agree to remove pollutants than their operations contribute.

Fortunately, the bulk of the industr appear to succeed best in Los Angele with the best future possibilities—are that emit low or medium-level poll Costs of control equipment for thes are substantially lower.

The recent announcement that c fers a highly promising alternative t natural gas energy could be a sign breakthrough. Control devices woul in less emissions and cheaper coal provide power at cheaper rates to b and industry.

Another environmentally favorab tor to be considered before moving ness or industry to Los Angeles

Valencia

THE NEW TOWN NEXT DOOR

WITHIN YOUR PEOPLE'S REACH

Both people and business are welcome in our 12-year-old planned community less than 45 minutes north of downtown Los Angeles. Unlike many new towns, Valencia offers affordable housing for employees and management.

Your plant, store or office will be less than a mile from uncrowded, 8-lane Interstate 5, with freeway visibility available. After hours, enjoy golf, tennis, 2 colleges and Magic Mountain.

To find your site or building, call Rick Stephens at (213) 362-1515

Valencia Corporation—
a subsidiary of the Newhall Land and Farming Company.

Tiger International.
It took more than airfreight to double our earnings.

Earnings per share for the first nine months of 1978 were $2.48, up 105% from $1.21 in the same period last year.

Each of our three business areas showed improvements year-to-date and record results for the third quarter. For the quarter, compared with last year's third quarter, pre-tax profits in airfreight (Flying Tigers) were up 136%, in leasing (Tiger Leasing) up 28%, and in mortgage insurance (Tiger Insurance) up 48%.

FLYING TIGERS

Flying Tigers had record nine month revenue of $294,976,000, up 41% from 1977. The world's leading airfreight airline achieved significant third quarter revenue and earnings gains over strong third quarter results in 1977. Both domestic and international airfreight revenues were at record levels.

TIGER LEASING

Tiger Leasing revenue was a record $194,803,000, up 30% compared with the first nine months of 1977. Earnings from railcar leasing and repairs (North American Car) and sales of aircraft by the aircraft sales, service and leasing division (TigerAir) were well ahead of the 1977 period. Lease underwriting and computer leasing also reported improved earnings.

TIGER INSURANCE

Tiger Investors Mortgage Insurance Company revenue reached $15,913,000 during the first nine months, up 26% from the same period last year.

The demand for housing continues strong, home ownership has proven to be an excellent investment, and private mortgage insurance is being used increasingly to permit reduced down-payments and thus make housing more affordable.

3 MONTHS & 9 MONTHS ENDED SEPTEMBER 30, 1978

	Three Months Ended 9/30/78	% Change From 1977	Nine Months Ended 9/30/78	% Change From 1977
	(in thousands)		(in thousands)	
Revenue				
Airfreight	$119,640	+ 47	$294,976	+ 41
Leasing and Related Services	69,297	+ 30	194,803	+ 30
Mortgage Insurance	5,614	+ 29	15,913	+ 26
Corporate & Intercompany Elimination	(2,405)		(5,816)	
	$192,146	+ 38	$499,876	+ 36
Pretax Income				
Airfreight	$ 16,013	+136	$ 26,653	+193
Leasing and Related Services	10,049	+ 28	29,260	+ 43
Mortgage Insurance	2,779	+ 48	7,648	+ 47
Corporate & Intercompany Elimination	(4,275)		(11,810)	
	$ 24,566	+ 90	$ 51,751	+113
Net Income	$ 15,722	+ 93	$ 33,120	+117
Earnings Per Share	$ 1.09	+ 68	$ 2.48	+105
Shares Used For Computation Of Earnings Per Share	14,371	–	13,353	–

For more information on Tiger International, please write or call Glenn Saxon, Tiger International, 1888 Century Park East, Los Angeles, California 90067, (213) 552-6314.

TIGER

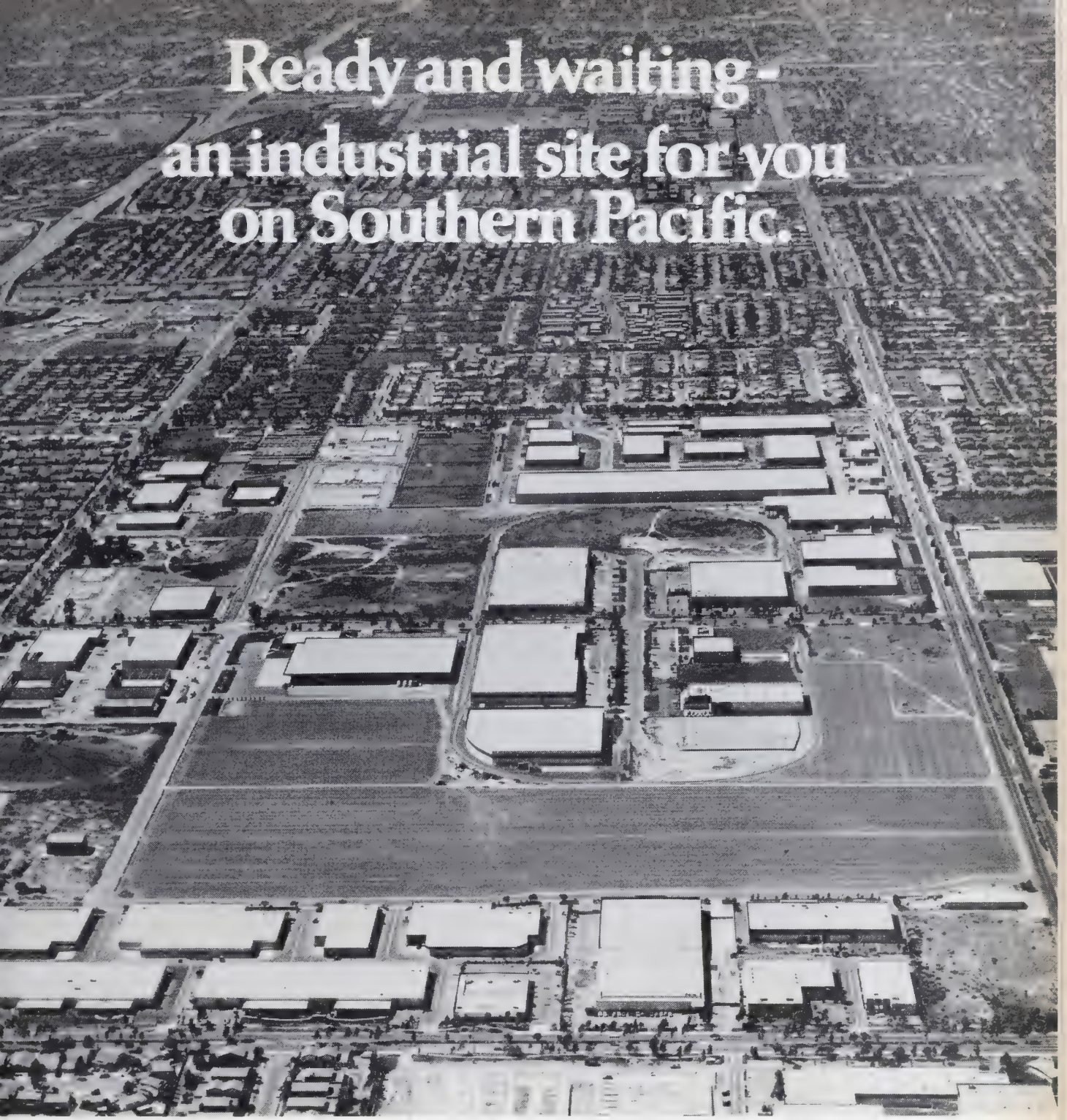
Airfreight/Leasing/Insurance

Business in Los Angeles?

Talk to The Business Bank.™

SOUTHERN CALIFORNIA HEADQUARTERS: 445 S. Figueroa St., Los Angeles, Calif. 90071
NORTHERN CALIFORNIA HEADQUARTERS: 50 California St., San Francisco, Calif. 94111

Member FDIC



Ready and waiting - an industrial site for you on Southern Pacific.

virtually all important markets of
e West and Southwest, Southern
cific Industrial Development
ompany has top grade industrial
rk sites ready to meet your needs—
ght now.

r example, above: the 320-acre
rritos-West Industrial Park, just 16
les southeast of Los Angeles,
tween the Santa Ana and Artesia
eeways. One of 20 major industrial
rks owned and established by
uthern Pacific for industry in the
uthern California area.

If you're planning a manufacturing plant or an office/distribution center anywhere in the West, you'll save time and money by looking first at our large inventory of industrial sites, or sites served by SP which were developed by other owners.

In many locations, completed buildings are already available for occupancy. In virtually all locations, like Cerritos-West, environmental impact reports are approved, access roads and utilities are in—ready for you to start planning and construction. For further information, write to W. J. Kiningham, Assistant Vice President & Regional Manager, Southern Pacific Industrial Development Co., 610 So. Main Street, Los Angeles, CA 90014. Or phone (213) 629-6613.

Southern Pacific.
We're making tracks for the future.

Go First Class for only 20% more than Coach.

United means business.

Now 20% more than the price of Coach brings you the room and comfort of First Class on United.

It begins prior to boarding your flight. At special First Class check-in counters that shorten lines and speed you on your way.

In our First Class cabins, you'll have 40% more room than Coach passengers. More room to catch up on important work—or an overdue time out.

The difference in price between First Class and Coach is not that great. But the difference in comfort is extraordinary. United means business.

For reservations, call your Travel Agent. Or call United. Partners in Travel with Western International Hotels.

Fare differential between Coach and First Class varies on flights to Hawaii and within the state of California.

"Best seat in the house."

Fly the friendly skies of United.®

ities and other environmentally-impact- services are already installed. This is es- cially true among the more than 220 ustrial/business parks in the area.

Vice President Larry Hoyt of the South- Pacific, one of the region's major holders available industrial land, says, "Com- nies don't like to have to put in utilities, cause of the environmental problems t might arise. Such problems are non- stent because the services are already talled. We find this a big plus when we call on eastern business and industrial leaders o are considering Los Angeles."

hat is government's and organized oor's attitude toward business?

There is no more responsible local gov- ment than that of Los Angeles which en- s a tradition of working closely with labor d business to further mutual goals.

Testimony to the fiscal soundness of Los geles is that Moody's Investors Service es the city, county and state the highest ssible rating: AAA.

Moody's says, "Los Angeles and all its erlapping taxing units have never de- lted in the payment of principal and inter- on their bonds." Total general obligation nds outstanding as of June 30, 1978, were y $121,660,000, the smallest for any city comparable size.

The debt burden as a percent of full valu- on of real property over the last 40 years in s Angeles has gone from 14% (in 1935) to s than 1% today. This, too, is an un- alleled record.

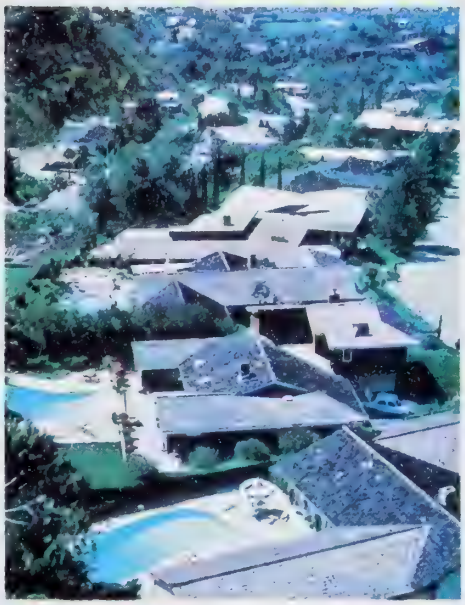
Los Angeles has been free of municipal ndals. Payoffs to building and safety in- ectors, fire inspectors and others are un- ard of in Los Angeles. The city's services, tably police and fire, are among the most cient in the nation. The grading system ed by impartial organizations gives the fire partment a Class 1 rating. The LAFD is the ly large city department in the United ates to hold this rating.

Los Angeles, moreover, has never been ralyzed by a major strike of either city em- yees or those belonging to industrial and ft unions.

The tax structure is somewhat clouded by recent passage of Proposition 13 which duced statewide property taxes and lim- d assessments. The law has been ruled nstitutional, but most economists say the impact will not be known for around a ar.

One opinion was ventured by economics fessors Douglas H. Joines and Arthur B. ffer of the University of Southern Califor- . Among the points they made in the Sep- mber issue of *The Executive* was that, ales and profits of corporations depen- nt on the California market or with large erations in the state (e.g., construction mpanies, banks, retail, wholesale and in- strial goods suppliers) will improve, on erage, relative to all other companies."

Unlike many other major metropolitan



areas, Los Angeles has no city income tax.

Local government and business leaders are increasingly cooperating to solve problems. Success was especially notable when the city's wholesale produce, flower and jewelry markets faced an almost certain move from Los Angeles because they had outgrown existing facilities.

Mayor Tom Bradley and his City Economic Development Office teamed with industry leaders and Washington officials to obtain $12 million in federal grants to revitalize the existing produce market. With $40 million private investment, the market will remain in Los Angeles, along with more than 5,500 jobs. The new produce center southeast of the downtown district will be the largest facility of its kind in the world. It is expected to generate around 1100 new jobs.

Similar cooperative success was achieved in saving the wholesale flower market located near the produce district. The flower market will not be forced to move elsewhere, thanks to $3 million seed money provided for rejuvenation by a federal grant. The balance will come from private investment.

Mayor Bradley was similarly exultant when he announced joint government-private sector teamwork resulted in a $4.7 million grant for a wholesale jewelry mart in downtown Los Angeles. The grant, plus a $25 million loan from the Bank of America, will be among the funds used to build the 20-story building.

The mayor said more than 3100 jobs would be created or retained with the development of the mart which will house 350 to 400 jewelry whoiesaling and manufacturing firms. Los Angeles' downtown jewelry industry has traditionally accounted for direct and indirect employment of 5000 people.

Half a block from the new mart is the just-opened Los Angeles Jewelry Center, the largest retail jewelry exchange in the world. The exchange represents a $2 million privately-financed renovation of the old American Banking Association Building.

Why would I or my employees want to live, work and raise our families in Los Angeles?

Los Angeles offers more of everything for those who are seeking a better way of life. There's more to Los Angeles than the area's balmy weather: the mean winter temperature is 55 degrees. And almost everybody knows that Los Angeles is the home of the Dodgers and the place where you go to Disneyland, Universal Studios and Magic Mountain.

Nor is Los Angeles altogether shy about describing the great freedom of choice in recreation: Mountain skiing in the morning. Surfboarding in the afternoon. Carlo Maria Giulini and the Los Angeles Philharmonic at night. Or concerts under the summer time stars in the Hollywood Bowl. Or sports: College football in the Coliseum, home of the 1984 Olympic Games; ice hockey in the Forum; hundreds of tennis courts and mile upon mile of jogging paths and bikeways.

There is, however, more to choosing Los Angeles as a place to sink roots. Mrs. Howard Ahmanson sums it up best by describing Los Angeles:

"Los Angeles offers a different kind of freedom. There is a variety of climates within our area: from snow to desert to the shore. So, too, do we have the freedom of choice to live where we want to and in the kinds of homes we choose."

Mrs. Ahmanson says, "There's beach-house living. Or in a suburban home with a patio, pool, courtyard and gardens, lawns and trees. Or you can keep horses on your suburban ranch. Or live in a mountaintop home overlooking the city and ocean.

"If we choose the city life we have high-rise apartment living, condominiums or town houses or all the other innovative types of residential architecture that mostly originated in Los Angeles. In Los Angeles we're not destined to live our lives in rowhouses that look like every other building on the block."

There is no lack of housing in Los Angeles, but like all other cities the problem is price. Cost of executive-type housing does not seem to deter senior officials of business or industry who have moved to Los Angeles. But for the middle and lower income families, the outlook is becoming increasingly optimistic, too. The Real Estate Council of Southern California reported in November that prices of single family homes were rising, but not nearly as fast as they have been. Some real estate officials look for a plateauing and then a downward turn.

The Los Angeles area offers unexcelled educational opportunities for children as

well as adults seeking better jobs. The educational resources of the area include 157 institutions of higher learning, 114 private schools at all grade levels and the largest private university in the state: The University of Southern California.

Bulwark of education in the area includes the 31 community colleges and the multi-campus system of the state-operated University of California. And that doesn't include the California Institute of Technology, worldwide scientific research center, or the Jet Propulsion Laboratory, focal point of the United States space program.

Much of the business and research consulting expertise so urgently needed in today's highly technological business and industrial community comes from these institutions. Too, the educational resources of Los Angeles provide a stimulating intellectual climate that itself attracts high-level talent to the area. "There are more Nobel Prize winners living in Los Angeles than anywhere in the world," says Tyler Macdonald.

Concurrent with the area's superb educational resources are others that appeal to the mind. Los Angeles has the world's largest free-circulating library system. The area is the nation's second most active book-buying market.

The manifold cultural attractions of Los Angeles—museums, galleries, zoos, botanical gardens, theaters, concert centers—provide a compelling magnet.

Culture is a public participation activity in Los Angeles. More than 25 million people visit the area's cultural resources every year. They found enrichment in the operating displays of the California Museum of Science and Industry and in the treasures of art and literature at the Henry E. Huntington Library and Art Gallery, as well as the Norton Simon Museum with its exquisite collection of the great Masters of European and Asian art, tapestry and sculpture.

On famous Wilshire Boulevard is the George Page Museum, repository of fossils unearthed from the nearby world-renowned La Brea Tar Pits. Artifacts, an anthropological library and other material representing the culture of Indians of the Western Hemisphere are housed in the Southwest Museum.

Nor is culture entirely supported by government or philanthropic grants. "Culture belongs to the people of Los Angeles because they are the ones who pay for it and they are the ones who work to keep it alive and healthy," says Mrs. Ahmanson.

Nearly 13,000 volunteers work in cultural activities to sustain everything from classical music to art galleries.

"Our cultural resources are largely built and sustained by the generosity of the citizens of Los Angeles," says Mrs. Ahmanson. "The Los Angeles County Museum of Art has a membership of 60,000 people who, through their own sheer generosity, support the museum. That's a record no other museum in the United States can match.

"The Music Center, moreover, has a yearly goal of raising $3.5 million from among the citizens of the area. They subsidize the tickets so that everybody can see and hear music, opera, ballet and other arts. There has never been a city in the history of mankind that has built two facilities like the Museum of Art and the Music Center with private money and supported them as we do in Los Angeles," says Mrs. Ahmanson.

The executive considering a move to Los Angeles is apt to recall the cliches about smog and congested freeways. The fa that motor vehicle emissions have b by 50% during the past 10 years and t being reduced even more despite creasing number of automobiles.

As for those stories about congest ways and how long it takes to drive to the morning: Surveys show freeway speeds are higher in Los Angeles and times shorter for the same length trip any other city in the world.

A recent Caltrans study of the five- Los Angeles area, moreover, shows t average trip length from home to 10¼ miles. The average time require rive at work was 22 minutes.

From every viewpoint—business or whatever—why has Los Angeles b a compelling attraction for new busin

Conrad C. Jamison, vice preside urban economist for Security Paci tional Bank, put it best when he recé scribed Los Angeles this way: If Los A were a sovereign nation, its output, t with that within a 60-mile radius, wo Los Angeles among the world's top in Gross National Product.

What better reason could anybo for moving to Los Angeles—a onc world opportunity.

Mitchell H. Feigenberg *of the Ci nomic Development Office provided cal and economic research and anal this article. Inquiries about Los A should be directed to the City Econo velopment Office, Executive Depart the Mayor, Room 2008, City Hall, L geles, CA., 90012. (213) 485-6154.*

A prominent New York banker *and economist has analyzed the long-term growth outlook for Los Angeles and sees nothing but blue skies and clear sailing.*

William W. Garretson, vice president and a senior economist for Citibank, the nation's second largest bank, says he sees more absolute growth in Los Angeles during the next decade than anywhere else.

"Los Angeles' economy is headed up on a new, higher growth trend in a turnaround from the slowdown that marked the end of the 1950s-1960s California boom.

Garretson said if a "moderately severe" national recession occurs next year, as some expect, the Los Angeles area's economy would resist most of the impact.

"The present industry mix emphasizes finance, services and manufacturing. The resulting balance has created a more solid economic base for long-term growth. This includes a significant reduction in reliance upon defense industries."

Garretson said that direct aerospace industry employment, which comprised about 4% of the area's economy in the early 1970's, is now only about 2.5% of the total.

"We think this balance, coupled with renewed strong population growth, means real growth for the whole Southern California region, with Los Angeles as the focal point," Garretson told a regional ec seminar in Los Angeles sponsored b subsidiaries of New York City-base corp, parent of Citibank.

Garretson says non-residential co tion in Los Angeles will continue throughout this year and ease only ately during 1980.

"Commercial reconstruction downtown and in some outlying area increasing, creating more efficient hig sity centers such as the Los Angeles Business District and Century City."

Garretson says, "A key to Southe ifornia's strength is its major role in t geoning Western economy.

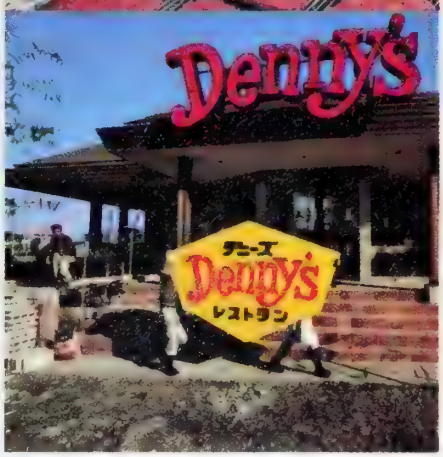
"The West Coast stands relative from the rest of the nation with treme internal growth potential as well as a export business to the rest of the U States market. In particular, the con growth of the leisure industry natio including entertainment, will be a lon plus for the Los Angeles economy."

Over $250 Million invested in growth in the past five years.

Since 1973, net income is up 382% and return on equity has risen from 13.9% to 22.3%. Revenues have risen 218%, shareholders' equity 216%, and working capital from operations 232%.

Quality Products. Excellent Service. Moderate Prices. In 41 States, Canada, Mexico, Japan and Europe.

First Quarter (Ended September)		
Comparative Highlights	1978 (13 Weeks)	1977 (14 Weeks)
Revenues	$159,363,000	$141,812,000
Net Income	$ 8,487,000	$ 7,772,000
Working Capital From Operations	$ 14,285,000	$ 13,510,000
Per Share:		
Net Income	98¢	90¢
Quarterly Dividend	20¢	15¢



Denny's, Inc.

Denny's Restaurants/Winchell's Donut Houses

For a copy of our 1978 Annual Report please write to: Denny's, Inc., P.O. Box 1117B, La Mirada, Calif. 90637.

Wells Fargo Bank...
helping the West grow since 1852.
770 Wilshire Boulevard, Los Angeles
464 California Street, San Francisco

ood- and papermakers escaped a downturn st year. This year many of them are not ely to be so lucky.

Forest products and packaging

BUSINESS WAS surprisingly good for the wood and paper producers last year. On average, earnings for pacompanies were up 8% and for wood ucts producers, up 16%. Companies Westvaco Corp., Boise Cascade, rgia-Pacific Corp. and Louisiana-Pa- have never done better than their nine months of last year. The excepts proved the rule: Crown Zellerbach hardest hit by a West Coast strike dragged on for much of the second Potlatch's third-quarter earnings e hit with a $6.2 million antitrust ement; and Scott Paper took a writefter closing its Detroit tissue mill.

his year, however, it will be a differstory. With the exception of the paper companies, especially those making white papers (Great Northern Nekoosa and Consolidated Paper), where earnings may rise another 15% to 20%, there's nowhere to go but down. Reason: the likely nose dive in housing.

What seemed to be fueling the boom in housing last year was investment demand. Says Robert Dockson, chairman and chief executive officer of California Federal Savings, "A mortgage today at 10% to 10.5% still remains a bargain with inflation running at 8% to 10%." With housing prices accelerating at 15% to 20%, buying a house became the common man's hedge against inflation.

After four years in the doldrums, prices for particle board (paneling material made from wood wastes) shot up early in the year. Major producers like Weyerhaeuser and Georgia-Pacific found themselves putting customers on allocation, though prices cooled down a bit by August. Lumber and plywood prices stayed close to 1977 record levels, and whole log sales (primarily to Japan) were strong earners for Weyerhaeuser and Crown. Aided by a strong yen, log prices soared 35% to 40%, 18% in the fourth quarter.

This year housing starts may decline to around 1.6 million or 1.7 million. Penn Siegel, forest products analyst with Drexel Burnham Lambert, thinks they may even go as low as 1.4 million. "I think it will be terrible," argues Siegel. "Profits on the wood side could drop

Forest Products & Packaging:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
FOREST PRODUCTS												
Fort Howard Paper	27.4%	1	23.1%	0.3	17.8%	1	25.6%	17.2%	19.3%	3	27.1%	4
Union Camp	20.9	2	16.2	0.3	11.5	3	13.8	10.2	12.3	14	22.2	7
Willamette Inds	19.7	3	18.8	0.4	13.2	4	13.6	7.5	19.9	2	16.8	12
Mead	19.2	4	21.4	0.6	11.7	10	10.9	5.0	8.6	21	32.3	1
Georgia-Pacific	19.0	5	19.0	0.4	11.8	11	10.7	7.0	16.1	4	16.4	13
Olinkraft	17.4	6	14.5	0.5	9.7	5	12.7	8.7	12.3	15	18.9	10
Louisiana-Pacific	17.3	7	20.2	0.5	13.4	9	11.3	7.6	20.8	1	10.4	18
Potlatch	16.8	8	15.5	0.5	10.5	6	12.2	7.6	10.9	19	28.4	3
Consolidated Papers	16.2	9	21.9	0.0	19.3	2	14.3	10.6	14.8	7	29.2	2
Weyerhaeuser	16.2	9	15.8	0.6	11.1	8	11.6	9.5	13.7	11	10.1	19
Kimberly-Clark	16.0	11	16.2	0.3	12.0	7	12.0	7.8	10.8	20	22.7	5
International Paper	15.7	12	10.9	0.5	7.7	12	10.6	5.4	11.7	16	19.5	9
Gt Northern Nekoosa	15.4	13	12.1	0.3	9.0	13	10.3	6.5	15.4	6	20.4	8
Westvaco	15.1	14	14.1	0.5	9.4	14	10.2	5.8	14.5	9	22.4	6
Federal Paper Board	14.9	15	12.6	0.5	7.7	17	9.0	4.5	14.7	8	17.2	11
Champion Intl	13.8	16	15.4	0.5	9.4	19	7.9	5.1	11.1	18	11.1	17
Crown Zellerbach	13.0	17	10.5	0.5	7.8	15	9.3	3.9	14.2	10	12.6	16
St Regis Paper	12.9	18	11.4	0.5	8.1	16	9.2	5.4	12.8	12	16.2	14
Boise Cascade	11.9	19	13.5	0.5	10.4	18	8.5	5.1	4.7	22	D–P	
Hammermill Paper	10.9	20	9.0	0.6	5.9	21	7.3	2.6	12.4	13	16.2	14
Scott Paper	9.8	21	8.0	0.5	6.1	20	7.5	4.1	11.5	17	6.8	20
Southwest Forest Inds	8.6	22	14.4	1.1	7.6	22	5.7	3.2	15.8	5	0.6	21
Medians	**15.9**		**15.0**	**0.5**	**10.1**		**10.7**	**6.2**	**13.3**		**17.2**	

What Sears is and what it isn't

From a talk by Edward R. Telling, Chairman, to security analysts in New York on November 8, 1978

THERE ARE A LOT of changes taking place at Sears, Roebuck and Co. In his recent talk to security analysts, Sears chairman outlined these changes and described what he expects them to accomplish as the world's largest retailer looks to the 1980's.

Edward R. Telling
Chairman

I know one question is uppermost in your minds: What's going on at Sears and how do we account for the current lag in our monthly sales?

We are in the process of implementing a new merchandising strategy which will reaffirm Sears promotional position while emphasizing the basic merchandising techniques that will improve our profits.

Change is always painful. And because it is, many people have suggested we are changing too fast, that we should slow down for a while until the first of our recent changes has taken hold and sunk in. That would be fine if *conditions* didn't keep changing, or if we had the luxury of ignoring these changing conditions without any harm to our performance.

But change is always with us in the retail business, and we must continue to adapt to it.

The merchandising strategy we are implementing starts with a clear recognition of what Sears is and what it isn't.

What Sears is. We are the premier distributor of durable goods—and we intend to keep it that way. We are valued by our customers for our integrity, for a reputation for fair dealing, for service and for our guarantee.

We also are a premier distributor of non-durable goods—but non-durable goods which are purchased primarily for their *uses* rather than for their fashions.

Sears balance of sales between durable and non-durable goods is nearly identical to the way a vast majority of Americans allocate their purchases.

What Sears isn't. We are *not* a high-fashion store; we are *not* a specialty store, or a discounter, or an avant-garde department store.

> "If there is any single lesson to be learned from our experiences in 1977—it is that very disciplined planning, merchandising and monitoring are required to convert dramatic sales increases into satisfactory profit growth.
>
> No retailer can long accept price promotion or sales growth as ends in themselves. The measurement of promotional success must ultimately be the profit it produces."

A Commitment to Quality

Sears is committed to substantial and consistent increases in the quality of our goods in the belief that the best way to achieve increased profits is through a commitment to quality merchandise. We plan to

achieve this by committing our buying strength to sources who share our concern for intrinsic quality and rigid product specifications.

This strategy calls for a more highly disciplined line structure than we've had in the recent past. Many of our merchandise lines today have more items than they should, distorting quality distinctions between good, better and best. We intend to change so that all our retail store items are consolidated into lines with fewer total items. More of the items, however, will be focused on the most important price points.

Competitive Everyday Prices

Of absolutely fundamental importance to our merchandising strategy is a pricing policy now being implemented. We will establish and maintain *a competitive level of regular, everyday prices* together with a lower level of markdowns. This pricing policy applies across the board.

We plan to be very competitive on price-sensitive merchandise and on opening price points.

With competitive everyday prices, supplemented by intelligently planned and executed promotions, Sears reputation as a promotional retailer will be reinforced. In fulfilling customers' expectations of us we will do a better job of fulfilling shareholders' expectations also.

Other Changes

Starting next year, we will set an annual corporate dollar total for advertising, both national and local, and will adhere faithfully to it.

In the years that follow, we will set a lower advertising-to-sales ratio each year, and we will adhere faithfully to that too—in anticipation of sales increases which will enable us to spend more dollars on advertising each year.

We have simplified our field organization, reducing it from 125 to 50 administrative units to provide better control and greater adherence to corporate policy.

We have streamlined our Headquarters buying organization into nine merchandise groups, creating better communications with our field organization.

> *In yet another move to improve profits, we have established a new logistics function to get better control over distribution costs, improve our system of supply and make more efficient use of our inventory and facilities.*

For example, we are changing our catalog merchandise distribution centers from profit centers to cost centers. This will give us better control over their very considerable costs. It will improve their efficiency as merchandise distribution points for our retail stores and catalog customers.

We are moving into centralized store planning, and are locating our new stores in markets based solely on hard-headed appraisals of their profit potential.

An End to Overbilling

Yet another important change is the elimination of a complex procedure we call our "overbilling account."

Our buyers can now concentrate on product development and better buying without doubling as bookkeepers. Resources can be allocated based on total corporate need. Merchandising expenses can be budgeted and controlled better.

> *The chief results are that the stores will work with manufacturers' invoice prices on every item, and all concerned will operate from the same set of figures.*

This should enable us to plan better—both in the long and the short run—and to manage our company better toward our profit objective.

LATEST RESULTS

Sears net income for the third quarter of 1978 was a record $235,487,000 or 73 cents per share vs. $225,283,000 or 71 cents per share in 1977. Net sales were $4.46 billion—1.9 percent below the record set in 1977. Operating income before pension costs rose to 8.46 percent of sales from 7.43 percent in the third quarter of 1977.

(Sears fiscal year ends January 31, 1979.)

Sears Where America Shops.
© Sears, Roebuck and Co. 1979

40% to 50%." The question, of course, is how strongly the Federal Reserve will tighten the money supply.

The papermakers face no such threat. Last year, after three years of a pulp glut that severely depressed prices, the bloodletting stopped. Bleached kraft prices jumped 45% in the second half and discounts dried up as a fairly strong domestic market, a resurgent export market and decreased production from the Scandinavian countries shrank inventories to near normal levels. That's good news for companies like Louisiana-Pacific (which probably lost money in its pulp business last year), G-P and Weyerhaeuser. Prospects for 1979? Liner board (used primarily in making boxes), which had been lagging around $185 a ton early in the year, jumped to $220 in the third quarter, and with supplies tight, indications are that the price increase may now stick.

But the bonanza came in white papers, particularly the coated papers used by magazine publishers. And it's likely to continue. Consolidated Papers, Inc., the world's largest producer, jumped from 15th to 9th in FORBES' return-on-equity yardsticks. With a ROE of 16.2%, Consolidated had a five-year return as fat as Weyerhaeuser's. Strong demand for coated papers, plus a turnaround, helped boost Mead Corp. to 4th in FORBES' lists.

This year white paper could experience the tightest supply situation based on supply and demand in 20 years (t excludes 1974, which was tight beca of inventory building). A lot depends what effect the West Coast strike, wh idled 6% of total capacity, has had supply. In paper, a 2% swing in capa can change the market from a buyer' a seller's market. So downturn or i best estimates are that paper earnings worst, will be flat to down 5% on a age, a surprisingly small decline for industry that often drops a steep 15% 20% during a recession.

Merger fever is running high in industry again. But the reason for i not the same as it was in the late 19 when forest products companies dive fied into unrelated businesses to ge better short-term return on their ass Now forest products companies buying up competitors because it's cheapest way of adding or replacing pl and raw materials. In the last two y Hoerner Waldorf and Fiberboard h both been acquired by companies their own industry. Georgia-Pacific negotiating to acquire Hudson Pulp Paper, Occidental Petroleum is maki heated bid for Mead, and Johns-Manv Corp. plans to acquire Olinkraft. trend's likely to continue this year. Si 1974 the industry has been able to dou its basic earning power in the face declining profit margins by not spend money for new plant construction.

White paper inventories
Almost as low as in 1974.

Forest Products & Packaging:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
PACKAGING												
Longview Fibre	17.2%	1	15.8%	0.0	14.2%	1	15.8%	8.6%	12.2%	8	12.7%	8
Stone Container	17.0	2	7.5	0.7	5.6	3	11.7	2.4	14.9	5	25.2	2
Crown Cork & Seal	16.6	3	16.7	0.0	14.7	2	13.7	5.1	15.7	2	15.8	4
Kerr Glass Mfg	15.5	4	13.7	0.6	9.1	8	10.1†	4.0	11.0	10	29.3	1
Ball Corp	13.7	5	14.5	0.4	10.7	5	10.7	3.6	17.5	1	13.6	7
Continental Group	13.6	6	10.9	0.4	8.3	9	9.8	3.8	10.1	13	14.5	6
Diamond Intl	13.4	7	11.2	0.1	9.7	4	11.5	4.5	9.4	14	5.7	13
Anchor Hocking	13.0	8	15.1	0.4	11.3	6	10.6	5.1	12.6	7	6.3	12
Brockway Glass	12.9	9	13.6	0.4	10.3	7	10.4	4.5	14.6	6	8.4	11
Maryland Cup	12.7	10	14.3	0.5	9.9	11	8.8	4.7	15.0	4	11.1	9
American Can	12.6	11	12.7	0.4	9.0	10	8.9	3.1	10.5	12	20.8	3
Owens-Illinois	10.9	12	9.4	0.5	6.6	13	7.4	3.2	10.7	11	9.9	10
Bemis	10.3	13	10.2	0.4	7.7	12	7.7	2.6	8.8	15	14.6	5
National Can	9.0	14	2.3	0.6	3.1	14	6.9	0.7	15.4	3	–0.2	14
Saxon Industries	4.3	15	4.6	1.2	3.6	15	3.7	0.9	11.0	9	–9.8	15
Medians	**13.0**		**12.7**	**0.4**	**9.1**		**10.1**	**3.8**	**12.2**		**12.7**	
Industry Medians	**14.9**		**14.1**	**0.5**	**9.7**		**10.4**	**5.1**	**12.6**		**16.0**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. †Four-year average. D-P Deficit to profit; not ranked.

THE ADVANTAGES OF LOCATING YOUR COMPANY AMIDST THE GREATEST CONCENTRATION OF POWER AND INFLUENCE IN THE WORLD.

Not only is Washington, D.C. the capital of America, it's also fast becoming the capital of business in America.

This is where they make the rules of the game that businessmen have to play by.

This is where the factory is that makes the red tape.

Yet, this is also where the greatest opportunity exists for business today. Simply because there are enormous benefits to having the federal government for a neighbor.

Notice we said neighbor. Because when you look at Washington, the view is better from Fairfax County, Virginia.

Fairfax County is 410 square miles located just thirty minutes from Capitol Hill. It offers all the advantages of proximity to Washington combined with a comfortable suburban environment. And importantly, Fairfax County offers a lifestyle that's more than tolerable; it's desirable.

The ideal choice for a Washington location is not Washington. It's Fairfax County, Virginia.

That's actually the bottom line of a report issued by the Fantus Company, a subsidiary of Dun and Bradstreet, and a leader in the field of location consultation.

The study thoroughly examined locational possibilities all over America and concluded, "Fairfax County may well be the optimum location selection for the headquarters function of a national association or the regional office of a major corporation."

The fact is that over 1200 major corporations, associations and businesses have already located here.

Companies like Mobil Oil, TRW, Honeywell and Computer Sciences Corporation are typical examples.

By locating in Fairfax County, any business influenced by government is in a good position to influence back. Company executives can establish personal contacts with key legislators and staffs on Capitol Hill, contacts that are difficult to maintain at long distance.

You don't have to be intimately involved with the Federal government to take advantage of it.

Since Washington attracts the best and the brightest, companies that locate in the area can, too. Fairfax County firms have the opportunity to tap an executive, managerial and clerical pool that is perhaps unequalled anywhere in the nation.

Transportation systems are excellent for regional, national or international corporations. Washington National and Dulles International airports have direct flights to major cities all over America and to major capitals of Europe and South America.

And a move to Fairfax County won't prove as taxing on your company. Or your people. The overall tax situation in Virginia is favorably competitive with other states.

Now that you know what power and influence will get you, look what you get for 15¢.

If you'd like to know more, The Fairfax County Economic Development Authority will be happy to send you a complete brochure with details on taxes, transportation, cultural attractions, lifestyle, costs of doing business, educational resources and other subjects critical to a locational decision.

Once you discover the advantages of locating your company in Fairfax County, right in the middle of the greatest concentration of power and influence in the world, you may reach the same conclusion that Mobil Oil and the others reached.

This may just be the best place in America for business to work.

FAIRFAX COUNTY, VIRGINIA.

Please send me complete information on all the advantages of a Fairfax County, Virginia location for my company.

Name/Title _____

Telephone _____

Company _____

Address _____

City _____

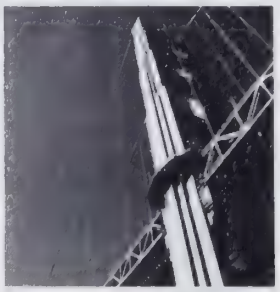
State/Zip _____

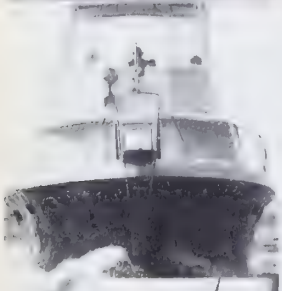
Inquire in confidence to: Mr. David Edwards, Executive Director, Fairfax County Economic Development Authority
8330 Old Courthouse Road, Suite 800, Tysons Corner
Vienna, Virginia 22180 Phone (703) 790-0600 F1

This may be the best place in America for business to work.

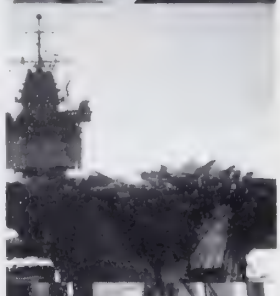
We're already a part of your life. Isn't it time you knew our name? It's Grow Chemical.

We're a big company doing important things. It would be surprising if there were some area of your life, your business, or your recreation that wasn't affected and improved by the technology and products of Grow Chemical.

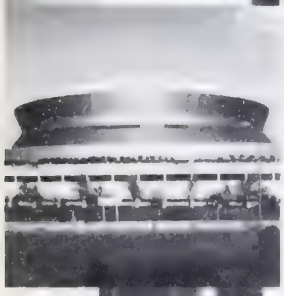




Chances are, the airliners you fly in are protected by Grow's Alumigrip.® It could be that we had a hand in the beautiful finish on the car you drive. The boat you fish from could be protected by Grow's Awlgrip.® Our Devoe paints might be, right now, covering the outside of your house or the room you're sitting in. And Grow's Prufcoat® protects the refineries that produce the fuel we use.



Grow Chemical Corporation. We produce the finest of today's chemical coatings and we're constantly researching for tomorrow's. That's why the most important industries in America know Grow.



We've reported increases in sales, earnings, and earnings per share for each of the past 5 consecutive years. And, we're the company that, since 1964, has paid stock dividends totaling more than 78%. That, in addition to paying 58 consecutive quarterly cash dividends.

We want you to know Grow, too. Write Grow Chemical Corp., 345 Park Ave., New York 10022. We'll send you a corporate profile and our annual report.

GROW CHEMICAL

stead, companies are either strengt ing strong positions (G-P's contin expansion in plywood or low-cost ducer Willamette's in corrugated b or else withdrawing from the marke together (Crown's retreat from multiwall bag business). Money is being used for vertical integration cost reduction, particularly in the en area. With acquisitions to be had about 45% of the cost of timberland building a mill, it makes sense to bu

Says Robert Flowerree, chairman chief executive officer of Georgia-P ic, in regard to Hudson Pulp & P Corp.: "We had a new site picked But it's a question of the numbers, ar our case it worked out better to acqu If the energy companies, looking ways to diversify, decide to follow C dental (or Texas Eastern Corp., a nat gas pipeline company that also trie acquire Olinkraft), there should be m takeovers. Consolidation in the indu has accelerated because, as one corpo officer puts it, "It takes a helluva flow to stay in business these days. less a company has a very, very l capital position it won't stay around

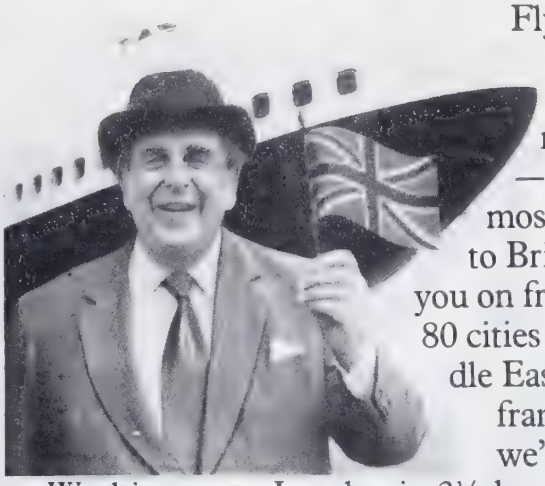
Where major new capacity *is* being stalled is in newsprint. In the next t years, five newsprint mills will be com on stream in the Northwest and Can and several are scheduled for the So While Canada (which supplies aro 63% of the North American market) only expanded about 1% a year, capacity is estimated to grow 2.1% year for U.S. producers. If newsprint sumption grows at 3% a year, U.S. s of total market will be 40% by 1980.

The lack of timber from public la continues to trouble those compani Willamette Inds., Boise Cascade—dep dent on forest service timber. The m torium drags on for many acres of fo service land that are awaiting classif tion as wilderness or nonwilderness p to dispersal. Bidding panic reached s proportions last year that in one sale the Ochoco National Forest in Ore offers began on one parcel advertise about $3 million and soared to $7.5 lion within five minutes. Some sales h gone for $450 per thousand board feet $325 only two years ago. Last sp President Carter, alarmed about the in tionary effect of such prices on hous set up a study committee, but as yet report has been received and prices c tinue to escalate. Even if housing decli 20%, lumber prices could be off only plywood an estimated 1%, since marg producers who have to mill high-c trees may be forced to shut down.

In packaging, shipments of corruga boxes were up 8.1% last year, and e mates are that shipments should s record this year unless there is a se recession. Just how profitable that business will be, however, is another

ast year boxmakers wound up pay-
igher prices for liner board and are
now starting to get better prices
selves for boxes. Milk carton mak-
ave been hard hit by the continuing
e of bottlers into plastic (Borden, for
ple, now sells most of its gallon-size
in plastic containers).
the never-ending battle between
inum and steel for the beverage-can
e of the $3 billion beverage container
et, steel is showing a strong recov-
Since the two-piece aluminum can
introduced in 1963, it has taken
and more market from steel until
, when aluminum had over 50% of
everage can market. But Reynolds
ls Co., the nation's second largest
inum maker, has announced that
ear it will begin making steel bever-
ans. Reynolds will build a two-pro-
on-line can plant in North Carolina
ble of producing either aluminum or
cans, and is, in addition, joint-ven-
g three can manufacturing lines
Miller Brewing Co. in North Caroli-
le to use either metal.
rt of the switch is because of a sur-
f business for aluminum manufac-
s, who can now afford to let steel
rsell them. (Steel cans now sell from
$7 a thousand less than aluminum
) As Detroit shifts increasingly to
er, fuel-saving aluminum in its auto-
les, aluminum producers know they
ind a home for production without
ng price. Can manufacturers them-
s have been showing little interest
panding can production (American
Continental Group have been gradu-
deemphasizing can sales) because
ers themselves have been moving
and more into the self-manufacture
etal cans (where the technology is
complex than in glass bottles).
vn Cork & Seal continues to perform
because it has focused on the more
nented soft-drink markets.
stics continued to do well in the
64-ounce soda bottle. Some studies
est that plastic containers may be
nly part of the packaging industry to
much unit growth for the next five
ix years. Continental Group and
ns-Illinois have been enjoying good
nd for their large plastic bottles, as
6-ounce glass bottle has continued
se popularity. But glass container
ments industrywide were up 3%
ts up an estimated 10% to 12%)
se, despite some state-mandated
le laws" that penalize nonreturn-
, orders for nonreturnable bottles
strong and brewers of the popular
beers favor glass over cans.
recession looms, this is not an in-
y for the faint of heart. Paper com-
earnings will be good but in this
try people buy on the bad news,
h means wood products. One thing
e: Watch for still more mergers. ■

Plane English.



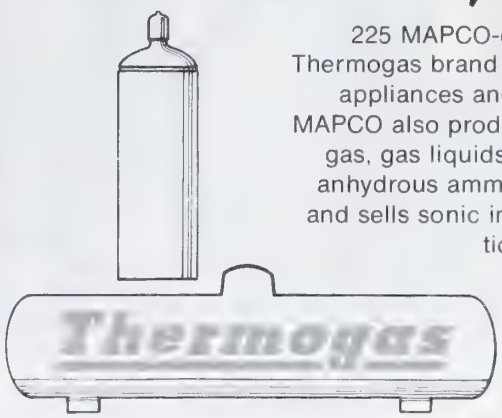
Fly to Britain on British Airways. It's simply plain sense—and there's never too much of that—because we have the most flights from the U.S. to Britain. Also, we can fly you on from London to more than 80 cities in Europe and the Middle East. And if you're just plain frantic to cross the Atlantic, we'll fly you from New York or Washington to London in 3½ hours in our fancy Concorde.

Avoid complications. Call your Travel Agent, Transportation Department or British Airways. Tell them Robert Morley says it's plain madness to consider aught but flying British Airways.

British airways

We'll take more care of you.

MAPCO IS LP-GAS, BUT...



225 MAPCO-owned and distributor-owned Thermogas brand retail LP-gas outlets also sell appliances and liquid fertilizer in 11 states. MAPCO also produces and markets oil, natural gas, gas liquids and coal, operates LPG and anhydrous ammonia pipelines, and produces and sells sonic instrumentation devices, filtration equipment and other water pollution control products.

For a closer look at MAPCO's diversification and profitable growth, write for our current report.

mapco INC.

Dept. P, 1800 S. Baltimore Ave
Tulsa, Oklahoma 74119
SYMBOL MDA • NYSE
MWSE • PSE

NOW AVAILABLE IN NEW SMALL ECONOMY SIZE!

Introducing the Xerox 2600 compact copier.

It fits snugly on office tables and into office budgets. (The 2600 is the least expensive new Xerox copier you can buy.)

Still, it's every inch a Xerox copier.

It delivers Xerox-quality copies in seconds. It copies from bound volumes. It not only copies on regular paper, but also on colored paper, transparencies, even your own letterhead.

And it's backed by the Xerox service network coast to coast.

All of which means that if you're in the market for an inexpensive copier, the 2600 offers something others don't.

The quality and reliability of a big Xerox copier. In a convenient, new, money-saving package.

XEROX® and 2600 are trademarks of XEROX CORPORATION

While inflation steams along at 9%, the chemical industry finds it tough going to eke out price increases of 1% and 2%.

Chemicals

Disco dancer shimmers in synthetic threads
The industry hopes that the pickup in polyesters is less flimsy than the fabric.

PRICE CONTROLS?" chuckles Paul Oreffice, chief executive officer of Dow Chemical. "We don't have to worry about them." Says Richard Ashley, vice president in charge of chemicals for Allied Chemical: "We frankly don't see the marketplace as healthy enough for there to be any problem with price controls in our industry."

The chemical companies have become unwilling leaders in the battle against inflation. Since 1975, prices on many bulk chemicals (like chlorine, caustic soda and titanium) have been slipping or stagnant. But production costs have been rising like everyone else's. Result: Return on equity for the diversified chemicals fell to 11.7% in 1978 from 12.3% in 1977. That's down a full 57% from the heady 1974, when the industry average was 19.8% led by Dow with 34%.

According to Oreffice, who came in as Dow's chief executive last May, the company was able to raise its prices an average of only 1% domestically in 1978. Earnings will be up slightly over 1977's $3 per share—primarily because of an 8% increase in sales, which came from overseas. The falling dollar helped Dow, along with Monsanto and Du Pont, push up exports to Europe and the Pacific Basin in the latter part of the year. International operations also picked up, mostly due to shakeouts in 1977.

The low prices in 1979 are the lingering aftermath of the spending spree the chemical companies went on beginning in 1974. Egged on by shortages and the skyrocketing prices of petrochemicals, the companies doubled their investments in new capacity between 1973 and 1975 to $5.3 billion.

But not all of that investment made economic sense. Explains Anantha Raman, chemical analyst with First Boston Corp., "Say you wanted to build a billion-pound ethylene plant. Because of inflation you figure you might as well build a 1.2 billion-pound plant. You figure that it will only cost more to build tomorrow—so you end up building plant capacity pretty much to hedge against inflation."

Since 1975 the rate of investment has been declining in real dollar terms. And no wonder. New plants planned back in 1974 and 1975 were still coming on

stream in 1978. By the end of the
the gap between the increased capa
and increased demand had finally b
to close; both were running at about
But for the year overall, operating r
for the industry were below 80%.

In petrochemicals, where three-q
ters of the capital investment took p
in the last four years, things are t
grim (FORBES, *Oct. 2, 1978*). Petroch
cal plants are operating at only 76%
pacity in the U.S., and in Europe
Japan even more capacity stands
The culprits are again the oil ma
which accounted for one-third of th
vestment in new capacity since 1975
in fertilizer in the Sixties, the resu
ruinous price-cutting. "During the
six months of the year," accordin
Leonard Bogner, an analyst with B
Halsey Stuart Shields, "a lot of
chemical companies—for insta
Dow, Union Carbide and Du Pont—
counted their prices to reestablish
market shares that had been lost to
petroleum companies."

Because of the weakness in pric
and the likelihood of a slowdown in
economy, chemical stocks remain in
doghouse. In December Dow was sel
for $25 a share, less than one-hal
price in 1976. Union Carbide, whic
expected to post a slight earnings dec
for 1978, was at $35 a share—almost
less than book value. Monsanto, wh
earnings picked up from $7.46 per s
in 1977 to about $8.25 per share
1978—but only because they took a
cent writeoff in 1977—was selling
$15 less than book value at the appr
of the new year.

Even among more fortunate U.S. c
panies, the urge to merge has begu
stir. Celanese Corp. spent the latter
of the year trying for a merger with
billion Olin Corp., but the agreement
through at the last moment.

Celanese has finally been helped ou
a modest recovery in the synthetic f
business. Shipments for synthetic
bers—which go into everything f
polyester shirts to nylon carpets—v
up 7% in 1978. One reason, given
John D. Macomber, chief executiv
Celanese: "The disco look. A *terribly*
tractive look, by the way." Macon

Chemicals:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
DIVERSIFIED CHEM												
Dow Chemical	26.3%	1	17.4%	0.7	10.5%	1	15.9%	8.2%	20.3%	2	27.2%	2
Diamond Shamrock	25.9	2	18.5	0.7	10.1	3	14.6	8.2	17.7	3	32.6	1
Stauffer Chemical	21.6	3	18.4	0.5	12.1	2	15.1	9.7	15.5	4	25.1	3
Monsanto	16.6	4	11.7	0.4	8.5	4	12.3	5.8	13.9	7	19.1	5
Union Carbide	15.9	5	11.0	0.4	8.0	5	11.5	4.9	14.6	5	15.7	7
American Cyanamid	14.1	6	12.7	0.4	9.6	6	11.2	5.6	11.3	12	7.7	10
W R Grace	13.9	7	12.7	0.6	8.8	9	9.7	3.8	11.5	11	17.3	6
Reichhold Chemicals	13.6	8	8.6	0.4	6.7	7	10.0	2.2	22.1	1	19.2	4
Allied Chemical	12.8	9	10.9	0.6	6.8	10	8.7	4.1	13.4	8	15.1	8
E I du Pont	12.5	10	16.5	0.3	12.2	8	10.0	6.7	12.3	10	2.7	11
Hercules	10.9	11	11.0	0.4	8.3	11	8.7	4.6	12.8	9	2.7	12
Celanese	10.5	12	11.4	0.5	7.4	12	6.8	3.5	10.6	13	11.2	9
Rohm & Haas	7.3	13	9.4	0.5	7.4	13	6.4	4.1	14.2	6	–2.2	13
Medians	**13.9**		**11.7**	**0.5**	**8.5**		**10.0**	**4.9**	**13.9**		**15.7**	

The corporate objective of Corning Glass Works is to pursue excellence in glass worldwide, making this family of materials, its related products, and its corollary technologies the most unusual and useful in our civilization.

CORNING

has good reason to gush. Celanese was able to post a 5% increase in the price of acetates this summer.

The synthetic fiber business would still face an uncertain future if it had only fashion to pin its figures on. Fortunately, the prolonged bloodbath in that area of the chemical industry has shaken out many marginal operations. Rohm & Haas has gotten out of the fiber business, and those that remain kept spending to a minimum. Du Pont, which stopped production of acetate in 1977, is responsible for that fiber's strong showing in 1978 as much as the trend in fashion. Now, according to Harry Flavin, an analyst with Rotan Mosle in Houston, the top three fibermakers produce 60% of all synthetic fibers. The strength in the market led Du Pont, Celanese and others to post price increases in polyester fibers at the end of the year.

Specialty chemical producers, which account for maybe one-third of all chemical industry sales, have been more fortunate. Says R.E. Davis, president of $550 million (sales) Thiokol Corp.: "We haven't had any difficulty at all in raising prices to cover cost increases in materials and labor." The company, which gets almost half of its profit from specialty chemicals (only 26% of sales) returned 16% on stockholders' equity in 1978.

The incentive to reinvest in specialty chemicals is far stronger. For every dollar it has invested in capacity, a specialty company can expect annual sales of $3 and $4—compared to, at most, $1 in the more capital-intensive commodity chemicals.

With money costing 10% and more, the profitability gap between the groups can only widen this year.

The profitability of the specialty chemical companies, along with the

"Say you wanted to build a billion-pound ethylene plant. Because of inflation you figure you might as well build a 1.2 billion-pound plant. You figure that it will only cost more to build tomorrow—so you end up building plant capacity pretty much to hedge against inflation."

cheap dollar, proved attractive to the European investor. Rhine-Chem Laboratories, a subsidiary of Bayer Laboratories AG of West Germany, paid $47 per share for Miles Laboratories, Inc.—$17 over book value—while Unilever N.V. paid almost three times book value for National Starch Chemical Corp. over the summer.

But government regulations affect all segments of the chemical industry. year under the Toxic Substances Co Act, first passed in October 1976, company was required to make an in tory list of all chemicals it produce 1977. The list grew to a stagge 70,000 compounds in all, and the E ronmental Protection Agency is no work on the list to develop future sa regulations. To avoid future bans on products, companies are forced to sig off an increasing percentage of thei search budgets trying to make pro tion lines safer. Allied Chemical mates that it will have to spend s $50 million next year—on chemical s of $1.4 billion—just to keep up with ty standards enacted thus far.

So there's not much cheer in the look for next year. Still plagued by t own overexpansion, and threatened an increasingly expensive social den to make the industry accident- chemical executives are chewing t nails at the prospect of recession. were just beginning to see an uptur our cycle," complains H. Barclay Mo chief executive officer of Stauffer Ch cal, one of the most consistently pr able companies in the industry. "E he adds wistfully, "I'm afraid 197 going to be another nervous year."

That may be putting it mildly in industry. ■

Chemicals:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
SPECIALISTS												
Intl Minerals & Chem	29.3%	1	16.5%	0.5	11.4%	3	17.6%	8.3%	18.8%	5	73.2%	1
Lubrizol	25.1	2	27.3	0.0	25.6	1	23.7	12.9	17.4	7	17.5	8
Nalco Chemical	23.5	3	17.4	0.0	16.6	2	22.6	7.9	15.3	10	15.7	10
Ethyl	19.8	4	17.1	0.5	10.7	10	11.3	5.9	14.4	12	16.4	9
Air Prods & Chems	19.6	5	17.9	0.6	10.3	9	11.4	7.3	21.4	2	27.2	2
Mallinckrodt	18.9	6	17.7	0.3	12.4	5	14.1	8.1	18.9	4	22.1	3
Dexter	17.1	7	19.6	0.2	15.5	6	13.2	6.0	28.8	1	20.9	5
Liquid Air of No Amer	16.8	8	15.4	0.6	10.5	7	12.2	6.9	17.7	6	21.4	4
Thiokol	16.8	9	16.0	0.2	13.7	4	14.3	4.7	10.5	15	20.9	6
Witco Chemical	16.5	10	17.5	0.4	11.8	11	10.6	4.3	16.4	9	14.4	11
Freeport Minerals	13.8	11	5.6	0.0	4.9	8	12.0	6.5	13.6	13	13.7	12
Pennwalt	13.6	12	14.9	0.5	10.5	12	9.8	5.1	12.2	14	18.4	7
Williams Companies	13.3	13	3.9	0.9	3.5	14	8.3	1.8	20.3	3	10.9	13
Sun Chemical	12.9	14	22.8	0.8	13.8	13	8.9	4.7	16.4	8	10.4	14
Cabot	10.4	15	16.4	0.4	11.4	15	7.8	6.5	14.9	11	8.9	15
Akzona	4.3	16	3.7	0.5	3.3	16	3.7	1.3	9.7	16	–15.0	16
Medians	**16.8**		**16.8**	**0.5**	**11.4**		**11.7**	**6.3**	**16.4**		**17.0**	
Industry Medians	**15.9**		**16.0**	**0.5**	**10.5**		**11.3**	**5.8**	**14.9**		**16.4**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40

Announcing the all-new 1979 Toronado...

More headroom and legroom, front and rear, than last year.

New automatic level control—helps provide a remarkably smooth, even ride.

A choice of standard 5.7-litre gasoline or available diesel V8.

Independent 4-wheel suspension—each wheel adjusts to the road without affecting other wheels.

More new standard features than you'd expect—including new side window defrosters.

Refined torsion bar front suspension—you'll love its feel of the road.

Front-wheel drive for impressive road-gripping traction and stability.

Oldsmobile engineering excellence contributes to a new state-of-the-art personal luxury car design.

A new state of the art in personal luxury car design—so beautifully engineered, so lavishly appointed, so responsive to your driving command, Toronado becomes a new experience on the road. One you owe to yourself to discover at your earliest opportunity. Come explore the magnificent inner world of Toronado. Examine the meticulous details, check out the uncommon array of standard equipment. Here is a setting of rare comfort and luxury, wonderfully sheltered from the noises of the outer world. And it is available with leather in the seating areas, if you wish. Many Oldsmobile dealers offer the option to buy or lease a Toronado. Either way, Toronado will introduce you to new dimensions in driving enjoyment. Come make a test-drive appointment to experience the pure pleasure of the new state of the art in personal luxury cars: the legendary front-wheel drive Toronado.

Oldsmobile

Toronado

Have one built for you.

GM

Wall Street asks Ohio Edison about controlling costs.

The following is from conversations between Goldman Sachs and Ohio Edison in New York City.

Liu: What is Ohio Edison doing to control non-fuel expenses?

White: For three years we have been controlling operating costs through such management procedures as consolidating divisions, employee attrition and other such methods. I don't know of any area in which we haven't cut back to some degree. We even went so far as to temporarily halt our tree trimming program. But we've reinstated that because reliability of our service is still our most important asset.

Liu: With construction costs rising so quickly, have you been able to adopt any consumer programs that help reduce costs?

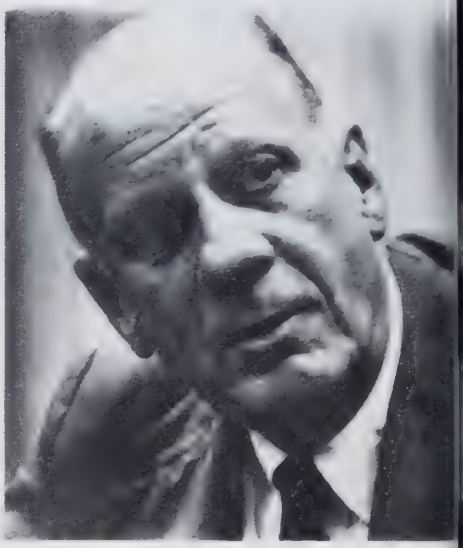
White: In addition to using our regular advertising messages, we've had great success with a booklet called "The Electric Decision Maker." It lists appliances found in the home, and gives the cost per use. We've distributed more than 400,000 copies of the booklet. But the most important aspect of our cost/conservation program is our use of meters with two part rates.

Liu: Exactly how do they work?

White: The rate actually provides an economic incentive to residence customers to improve their load factors, either by using more energy or reducing their peaks. As they reduce their peaks, we can reduce ours. That, in turn, means less expenditure for increasing generating facilities.

Liu: What's the attitude of customers toward having this control?

Ernest S. Liu is a Vice President of Investment Research at Goldman Sach

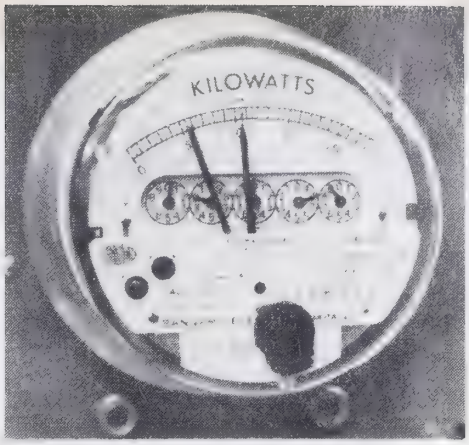


J. R. White is President of Ohio Edison.

V. A. Owoc is Senior Vice President, Chief Financial Officer of Ohio Edison.

hite: Initially it was very negative. People felt the eter would control them. Before this past winter's ıortages, people were not in a controlling mood. ow they are changing their attitude, and realize me control of their energy use can be of benefit. lost important, they see an economic payoff with e load meter. So do we.

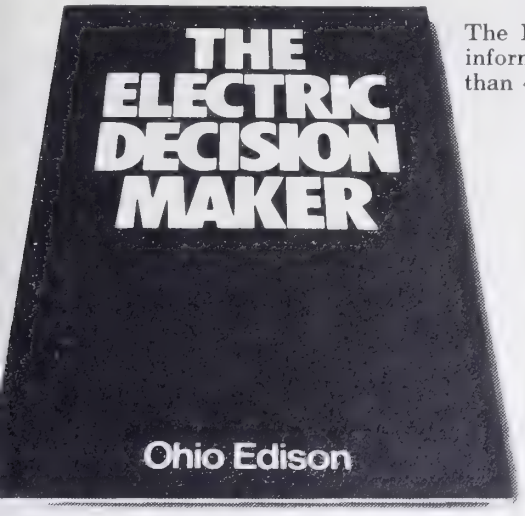
woc: I guess in summary, I think we have been ry good operators in the past. We have taken steps get through an emergency period. Now we've ened up a little bit and gone back to recognize liability as No. 1, and we still have the austerity ogram, so that we can monitor what goes on as sely as we have in the past.



Load meters, which help customers practice load management, are already in use on a majority of customers' homes.

Edison Home Economists show customers better ways t the most from their electric dollars, with wise-use rams on appliances and electric use at home.

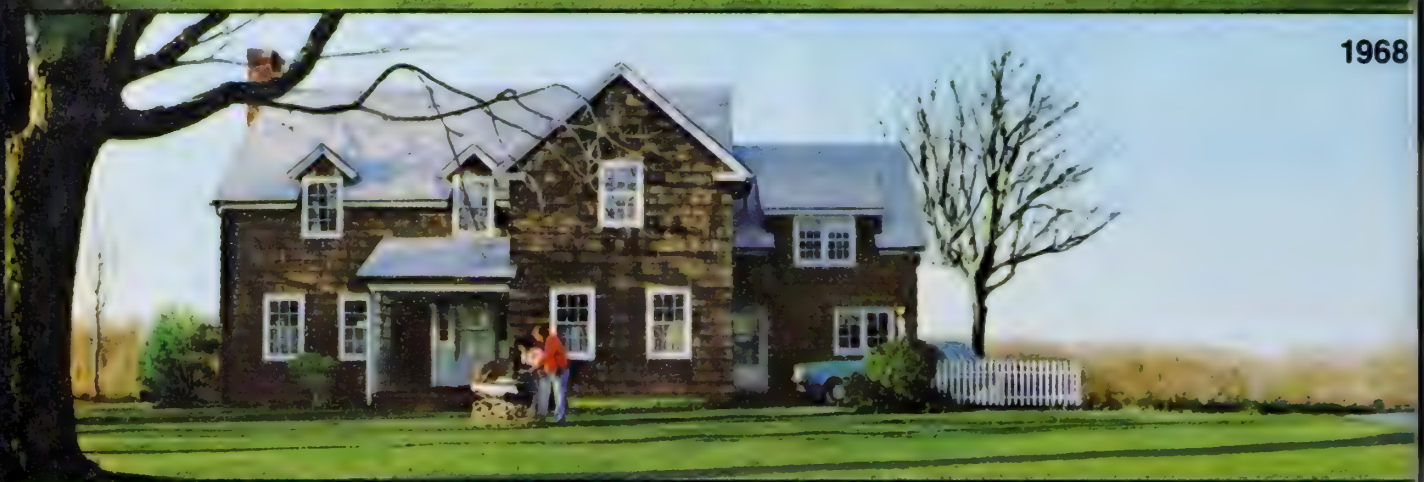
Ohio Edison's System Dispatch Center assures lowest-cost operation at all times. From here, electricity is sold to neighboring utilities, or purchased from them, to reduce costs whenever possible.



The Electric Decision Maker Booklet gives customers information they need to control their electric costs. More than 415,000 copies have been distributed.

"Reliability of our service is still our most important asset."

Diamond International is expanding because you are.



Homeowners last year invested about $40 billion in home expansion and modernization. To keep up with them we've added over 50 home centers. That makes 117. So far.

These 117 Diamond home centers sell everything from lumber to lighting fixtures. For new homes as well as old. Do-it-yourself and professional. This helps make us non-cyclical. For when new home construction declines in the U.S., renovation and home remodeling usually booms.

In the last six years we've nearly doubled total sales to over $1 billion. Among the biggest contributors to our growth has been lumber and other building products.

How much will you spend next weekend?

DIAMOND INTERNATIONAL

733 Third Avenue, New York, N.Y. 10017

Forest Products · Packaging & Printing · Consumer Products · Building Materials & Home Supplies · Machinery Systems

ith military and commercial orders boom-g, ask not what recession will do to this dustry. Ask which company will bloom late.

Aerospace and defense

norning rush hour at the airport
aging, narrow-bodied, noisy gas guzzlers have to go.

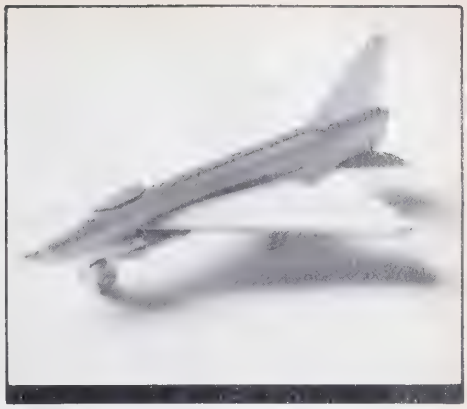
OR THE FIRST TIME in a decade the big news in the aerospace industry isn't military production, but rath-ne commercial jet business. The d's airlines can't delay major pur-es any longer: They have fuel-guz-, aging fleets too small and too noisy eet demands for quiet, efficient air-with increased seating capacity.

e big winner, of course, has been ng, which 20 years ago ushered in ommercial jet age with its 707 mod-weeping Douglas away as the indus-eader. Boeing hasn't slowed since, ng out four models, all very success-Now Boeing is developing two new aft, the 757 and 767, which already outselling the competition for the generation of airplanes.

eing's older 727s, 737s and 747s are ng extremely well, while its new es are getting a promising takeoff orders such as United's for 30 767s. ed has the largest and one of the oldest estic fleets and thus may order scores Boeing aircraft. The United order followed by substantial 757 orders British Airways and Eastern.

Boeing Chairman T.A. Wilson predicts 1978 sales will reach $5.5 billion, up from 1977's $4 billion. During the first nine months of 1978 the company's backlog grew 29%, to $7.6 billion, *not including* $4.6 billion in recent orders from United, Delta, American, British Airways and Eastern. Analysts estimate per-share earnings may reach $9 for 1979, up from an estimated $7.25 last year.

Boeing's competition in the commercial market is dwindling. McDonnell Douglas currently has two aircraft models, the DC-9 and DC-10, but has chosen not to develop any new models to compete with Boeing's 757 and 767. "The market for the DC-X200 [McDonnell's proposed competitor] wasn't certain enough to justify the tremendous investment it would have required," said Sanford N. McDonnell, president and chief executive officer of McDonnell Douglas. "However, we are looking into the possibility of launching a stretched and otherwise modified version of the DC-10." Developing a stretched DC-10 may cost several hundred million dollars, which would force McDonnell Douglas to continue reporting losses in its commercial aircraft business until the early 1980s, when all the DC-10 development costs would be written off.



The third major commercial jet manufacturer, Lockheed, continues to have problems with its TriStar (L1011-500) program. One analyst estimates Lockheed must produce at least 30 a year to have a chance at recovering the program's investment. Currently, TriStar production is approaching only 21 a year.

Says Lockheed Chairman Roy A. Anderson, "When we get to the level of TriStar production where we hope to be in 1982 or 1983, then we think we will be able to just about offset both the TriStar's production costs and its $50 million annual amortization charge."

Although technically the TriStar is a fine aircraft, its production was delayed by financial problems at Lockheed and at Rolls-Royce Ltd., principal manufacturer of the TriStar's engines. Until recently the TriStar's sales have been poor. The program lost $120 million in 1977 and may lose even more when the 1978 books are closed, dragging down Lockheed's very successful military business. Lockheed's 56% five-year average return on equity appears impressive, but the statistic is misleading. Lockheed's equity was nearly wiped out several years ago, and today the company remains heavily leveraged by $400 million in long-term debt. Anderson says, "We think the 1980s will see a significant improvement in Lockheed's fortunes."

There is one threat facing American jet manufacturers—Airbus Industrie. Although the European joint venture, owned principally by the West Germans, French and British, isn't hurting American aerospace companies now, one day it may. Consider the case of state-owned Air France, which has purchased many aircraft from Boeing. Will Air France order 757s or 767s from Boeing when Airbus Industrie, 40% owned by the French government, offers competing models?

Sharing in the bounty of the aircraft production boom are two prominent aerospace companies, Rohr Industries, Inc. and Wyman-Gordon Co. Rohr produces many of the jet engine parts for today's commercial aircraft, and if it

Aerospace & Defense:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Lockheed	56.5%	1	25.8%	2.2	10.7%	14	8.2%	1.8%	5.5%	12	D–P	
Beech Aircraft	24.8	2	28.1	0.3	22.8	2	18.7	6.7	15.0	6	46.1%	2
E-Systems	22.3	3	21.2	0.2	19.6	1	18.8	4.9	10.1	8	46.4	1
Northrop	20.7	4	28.2	0.2	23.7	4	16.6	4.5	16.3	3	25.8	7
Wyman-Gordon	19.9	5	21.5	0.3	16.7	5	15.7	7.5	15.5	4	35.5	4
Grumman	19.8	6	12.1	0.7	8.9	9	11.1	1.5	8.3	9	D–P	
Raytheon	19.2	7	22.9	0.1	20.6	3	16.8	4.6	12.8	7	19.6	8
United Technologies	17.8	8	17.4	0.2	13.9	7	11.8	3.7	16.7	1	28.3	5
Cessna Aircraft	17.2	9	16.6	0.2	13.7	6	13.2	4.7	16.5	2	14.5	9
Boeing	13.0	10	22.0	0.1	19.3	8	11.2	5.5	5.9	11	39.2	3
Fairchild Industries	12.9	11	25.9	0.4	19.1	11	9.6	3.9	4.5	14	12.2	10
Rockwell Intl	12.9	12	14.8	0.4	10.6	13	9.2	3.1	15.2	5	7.1	11
McDonnell Douglas	12.0	13	13.7	0.1	13.5	10	10.8	3.7	6.2	10	1.8	12
General Dynamics	11.1	14	def	0.1	def	12	9.4	def	5.3	13	25.9	6
Rohr Industries	def	15	43.1	2.1	9.0	15	def	3.6	3.9	15	P–D	13
Industry Medians	**17.8**		**21.5**	**0.2**	**13.9**		**11.2**	**3.9**	**10.1**		**25.8**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. P-D Profit to deficit. D-P Deficit to profit; not ranked. def Deficit.

Frank B. Hall & Co. A Corporat
Frank B. Hall & Co.
Client Index
AMERICAN EXPRESS
Bendix
COMBUSTION ENGINEERING
TOTAL
FRUEHAUF
These illustrious clients and many more consider Frank B. Hall the encyclopedia of insurance brokerage. 3200 professionals in 122 locations make our international network the definitive source of protection for corporate human and financial resources. Contact us and discover why, since 1862, Frank B. Hall & Co. has been a Corporate Best Seller.

ages to land contracts for 757 and engine parts, Rohr should be well ioned for at least several years. The is true for Wyman-Gordon, which s aircraft frame and engine parts for ically every commercial airplane in ky today.

mpetition is becoming cutthroat in igh-ticket jet engine business, once nated by United Technologies' & Whitney Aircraft division. Gen- Electric, a major supplier of military ngines, is offering all sorts of conces-, hoping to grab a larger share of the rican commercial market. (GE has most of the Airbus engine con-s.) In November, both Delta and rican ordered GE engines for their a setback for Pratt & Whitney. in's state-owned Rolls-Royce Ltd. is cutting prices. "Rolls-Royce," says h Barney's Wolfgang Demisch, "is interested in jobs than in profits."

ss than a year ago the British gov-ent agreed to guarantee any bank Pan American might take out to ce the purchase of 12 new TriStars their Rolls-Royce engines, simply use Pan American agreed to order Rolls engines. The British loan guar-e alarmed many American aerospace utives, including United Technol- Chairman Harry J. Gray. "More more we find ourselves competing commercial business, not only against other engine manufacturers, but also against foreign governments. If our government doesn't act to correct this trend or to provide similar assistance, our nation could face erosion of its long-term leadership in the commercial aircraft market, with a resultant loss of jobs here at home."

United Technologies' other aerospace division, Sikorsky Aircraft, is scoring huge gains. In the last three years it has landed major helicopter contracts from the Army, Navy and Marines Corps, projecting at least $4 billion in revenues over the next five years or so.

The military business appears secure for at least a year, now that President Carter is talking about cutting income transfer programs and increasing defense spending for fiscal 1980. The Carter philosophy seems to favor jet fighters and missiles, which bodes well for producers of those sorts of military hardware.

One such company is Northrop, which is pushing a proposed $10 million fighter, the F-18L. Northrop is trying to sell the fighter to a few foreign nations so it can begin production, which could turn into a bonanza. But recently the F-18L failed to make the finals for an anticipated $2 billion Canadian Armed Forces order, a significant setback for the program. Meanwhile, Northrop will be the principal subcontractor for one of the two finalists, McDonnell Douglas' F-18A. Northrop will build 40% of the aircraft.

Northrop also has a string of mammoth Saudi Arabian service and support contracts. Just as Northrop was whittling down a $1.2 billion Saudi contract from 1976, it landed another for $800 million, beginning in 1979. "The Saudi contracts, which generated 25% of Northrop's 1978 revenues, may open up many opportunities for Northrop," says John Simon, a Crowell Weedon aerospace analyst. "Northrop could get a nice long-term meal ticket by helping industrialize all of the Middle East." Northrop's other booming businesses are F-5 fighter production and 747 fuselage production. Simon estimates $6.70 a share for Northrop in 1979.

The other big winner in defense is McDonnell Douglas. The company has two very popular older aircraft still in production, the F-4 and A-4, just as the F-15 is hitting its stride and the very promising F-18A is entering the testing stage. The Air Force anticipates ordering 749 F-15s, and the McDonnell Douglas F-18A looks like a big revenue producer if the Navy and Marine Corps order as many planes as expected.

Fairchild has a strong near-term outlook based upon the big-selling A-10 aircraft. The U.S. Air Force should complete its 733-plane acquisition by 1983, and Fairchild may market the A-10 overseas. About half of Fairchild's 1978 sales

While our principal business is
natural gas transmission, we are
broadening our base as a producer,
transporter and marketer of energy
in varied forms.
J. Hugh Roff Jr.

J. Hugh Roff, Jr., Chairman of The Board, President and Chief Executive Officer of United Energy Resources.

Principal subsidiaries of United Energy Resources include United Gas Pipe Line Company, United Texas Transmission Company and Cotton Petroleum Corporation. Other subsidiaries include Enertrade AG, PetroUnited, Inc., and Western Energy Transport Company. For all our developments, write for a copy of our latest Annual Report to P.O. Box 1478, Houston, Texas 77001. For our daily figures, look for us on the New York and Pacific Stock Exchanges. We're UnEnRes, and our ticker symbol is UER.

UNITED ENERGY RESOURCES, INC.

An energetic Houston-based company.

e from the A-10. What will Fairchild or an encore? A spokesman for the pany concedes that Fairchild doesn't w yet.

ven General Dynamics seems on the e of scoring some impressive earn- gains during the next few years. As y as 2,000 F-16s may be ordered dur- he next decade. Complementing the contracts are DC-10 fuselage work promising missile programs. The est question in General Dynamics' re is its massive submarine construc- business, which has been plagued by mous cost overruns and losses. If it avoid labor contract problems and n constructing submarines profit- , the division could add several dol- a share to General Dynamics' earn- in the 1980s.

oth E-Systems and Raytheon should n for strong years. E-Systems, a pro- r of military electronic equipment, oming out of a bad 1978 plagued by ral nonrecurring problems, ranging higher-than-expected development s to a temporary drop in sales in its orne Command Post program. well Weedon's Robert Hanisee ks the problems will be straightened n 1979 and is forecasting 1979 earn- at $4.75. Raytheon, a leader in tacti- missile production, has two impor- projects. Currently much of its rev- still comes from the Hawk missile, Raytheon's Patriot could replace the k and turn into a $6 billion program.

he near-term future is unclear for Rockwell and Grumman. Rockwell billions in potential revenues when dent Carter cancelled B-1 produc- in 1977, but it still has the space tle and may come through with a big ng subcontract on the 757 or 767. uction of Grumman's F-14 will be ing off in the next couple of years, , too, may be looking for some ng work. Grumman has tried to re- its dependence on military aircraft enturing into other areas, but with pressive results so far.

ckheed remains a very important se contractor, producer of several aft and every submarine-launched stic missile ever used by the Navy.

neral aviation looks strong for the eeable future, led by Cessna and h. Bank of America Aerospace Vice dent Hal Rolfes says corporations order more private aircraft as long as booked flights make it difficult to a plane on a moment's notice, and es drop small-town routes.

th commercial and military mar- booming simultaneously, the ques- in this industry is not what will en in the event of a recession but r which company's future potential hus far been overlooked. And that ins as difficult a question as it's ys been in this high-risk business. ■

ES, JANUARY 8, 1979

the Art of Industry:

A Dividend of Corporate Prestige

Corporate art collections are a specialty of Berry-Hill Galleries, which maintain a large inventory of American and European works of art pertinent to commerce and industry. For further information on the art of *your* industry, contact Frederick D. Hill at

Berry-Hill Galleries, Inc.

743 Fifth Avenue, New York, N.Y. 10022 • (212) 371-6777

Old Penncoyd Steel Mills by Francis Speight Oil on canvas, 30 x 36 ins. (detail)

The best place for your business. And your family. Boca Raton.

Boca Raton, Florida has long been noted as one of the finest places to live in all of America, with an exceptional quality of life, beautiful residences and extraordinary community and cultural facilities.

Now it is fast emerging as the new home for business in South Florida. With quality companies moving to this Palm Beach County community from all over the country.

The reasons.

An excellent labor force, good transportation, abundant energy and a good educational system. Plus an enlightened and aggressive financial community. But, most of all, the new 850-acre Arvida Park of Commerce, directly adjacent to I-95, and zoned for research, development, light industry and offices. A totally planned business center in a park-like setting.

For information, call Scott Martens at (305) 395-2000. Or send us the coupon.

The Arvida Park of Commerce
ARVIDA REALTY SALES, INC., REALTOR
P.O. BOX 100, BOCA RATON, FLORIDA 33432

Name _____

Title _____

Company _____

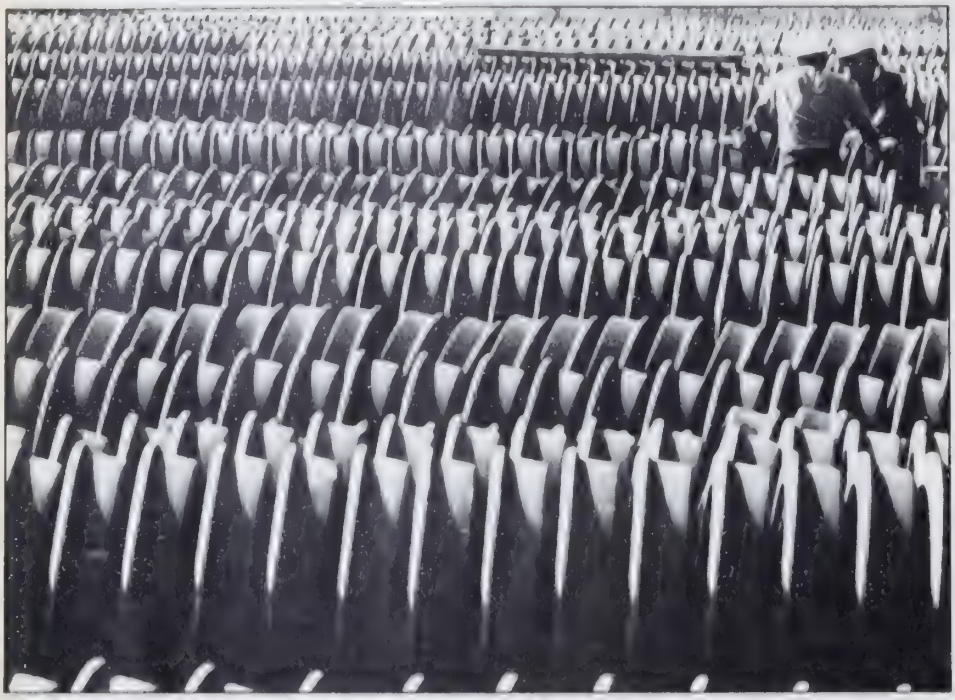
City/State/Zip _____

Telephone _____ F-3

This does not constitute an offer for disposition of real property and shall be void where prohibited by law.

The U.S. is the antique shop of the industrial world, but that may be the best thing that could happen to capital equipment makers.

Industrial equipment



Steel railroad wheels awaiting shipment at Amsted Industries' Bensenville plant
Most industrial equipment makers hope to roll right through on their backlogs.

"The U.S. has underinvested in capital equipment for years," says William I. Wearly, chairman of $2.1 billion (sales) Ingersoll-Rand. That, of course, is a sales pitch, but Wearly does know what he's talking about. Nearly 60% of U.S. manufacturing plants are 28 years old or more. At the end of 1977, the average age of all plants and equipment in the U.S. was 10.3 years, according to the Department of Commerce. In a critical particular—machine tools—Japan and West Germany are in far better shape than the U.S. In Japan, 60% of machine tools are less than ten years old, in West Germany the figure comes to nearly 40%. In the U.S., just over 30% of machine tools are less than ten years old.

For at least a decade the U.S. has spent less on plant and equipment as a percentage of gross national product than any other industrialized nation. Even British factories are newer on average. Over the past 10 years, Britain has spent an average of nearly 13% of its GNP annually on new plant and equipment; France, about 15.4%; and West Germany, a whopping 18.5%. Over the same period the U.S. has spent a mere 8%.

As ever, U.S. industrial equipment producers see this as a golden opportunity—even in a recession.

"Increased capital investment improves employee efficiency," continues Wearly, "and is one means of fighting inflation. We think that the emphasis on bettering the country's poor productivity improvement record might well offset the temporary effect of a mild recession."

This time Wearly and his colleagues may just be right. Orders for machine tools are at an alltime high. That spells good things for the likes of Warner & Swasey, Cincinnati Milacron, Chicago Pneumatic Tool, Houdaille Industries and Wallace Murray. Through the first ten months of 1978, these companies, and others like them, reported orders of $3.5 billion, up 47% over the same period in 1977. Shipments, the products actually finished by the plants, were up 35% to about $2.4 billion during that same period, leaving a backlog of some $3.3 billion—about 59% higher.

Given a mild recession, those bac
may be enough to carry the comp
over the rough spots. There are risk
course. As backlogs increase, foreign
ducers of machine tools, electronic
drilling equipment and other backl
items may be able to gain market
again. The opportunity is certainly
Companies like Wheelabrator-
Combustion Engineering and Dress
dustries are now operating with bac
of from one-half to a year's sales
sometimes more.

Some of those backlog figures are
firm, like those in the steam-gener
business, railway equipment, ma
tools and drilling equipment. Son
those industries require cash up
But for a few industries, including
struction equipment, backlogs may
away because they are merely dealer
mates of potential sales.

"We're just about sold out thr
1980," says Gene M. Woodfin, chai
and CEO at Marathon Manufactu
the leading producer of "jack-up"* o
for offshore drilling. "The scientists
ty well agree that more than 95% o
future reserves of oil and gas probab
within 300 feet of water. And that'
depth."

Looking for oil and gas in new p
has helped other similar equipment
ers, too. "The producers are drilling
and drilling deeper," says Charles
Moody, director of market researc
Baker International. "And drilling d
is a good thing for the people who m
facture oil equipment. The deeper
drill, the harder it is and the more
nology and equipment you need."

It may be some time before a si
boom hits the mining equipment
ers, however. "The laws and regula
are too gray for people to make the
investment they have to make in
verting to coal," complains Dresse
dustries Executive Vice President J
R. Brown Jr. "Strip-mining bills
from state to state on what you ha
do to reclaim the land, and some s

*Jack-up rigs have legs which extend to and rest
sea floor. They are used in water between 150 a
feet deep such as the Gulf of Mexico. Other offshore
called semisubmersibles are floating devices
much deeper water and in harsh environments
North Sea.

SIGNS OF LIFE.

Coca-Cola" and "Coke" are registered trade-marks which identify the same product of The Coca-Cola Company

and the federal government leave a lot up in the air."

Baker's Moody agrees. "Coal is constrained right now by red tape," he says. "Somebody's going to have to make up his mind."

Increased use of coal would help some specialty companies, too—especially companies like Envirotech and Peabody International, which make air and water pollution equipment. "More shifting to coal would make things better still," says Peabody Chairman and CEO John E. McConnaughy Jr., "but business is going to be good anyway because the government hasn't backed off on the environmental pressure."

Ironically, even if the regulatory climate cleared and coal demand shot up, there's some question as to when deliveries would take place. That's because there's a railcar shortage these days.

That's good news for Amsted Industries, which makes railroad car wheels. Last year, Amsted's order backlog rose from about $170 million to nearly $355 million, and is steadily increasing.

Industrywide, railroad car manufacturers last year received orders for 125,000 new cars, more than twice the number shipped. This year, the industry will be lucky to ship 75,000 cars. The shortage is caused by tight supplies in some of the heavy castings used to manufacture railroad cars.

Even so, Pullman Inc., Amsted and others tied to the ups and downs of railroad demand are looking beyond the present. If their order books are bulging right now, what better time to diversify? Pullman Inc., which now gets 63% of sales from its nontransport business, is on the prowl for further acquisitions but, of course, the company refuses to discuss specifics.

Even if the regulatory climate cleared and coal demand shot up, there's some question when deliveries would take place. That's because there's a railroad car shortage. Industrywide, manufacturers last year received orders for 125,000 new cars, more than twice the number shipped. This year, the industry will be lucky if it were to ship more than 75,000 cars.

But diversification can't always solve problems created by cyclical demand. GATX, the country's largest lessor of railroad tank cars, finds its main business has been booming, but its earnings have dragged largely because of its 1970 move into oceangoing ships—a weak industry these days.

Companies, like Browning-Ferris Industries, that handle sewage and solid waste should benefit in the long run from the 1976 passage of the Resource Conservation & Recovery Act which co hazardous waste disposal and conti to keep the outlook fairly bright.

Foster Wheeler and Combustion E neering, both of which build steam- erating equipment used for electric p er production, continue to have back of more than a year's sales, despite recent slowdown in new power p construction.

Specialty equipment makers Stewart-Warner, Dennison Manufa ing and Amerace Corp., which broad product lines serving many in tries, tend to follow more closely index of industrial production—espe ly on less capital intensive equipm Illinois Tool Works (despite the nam does not make machine tools but a variety of packaging and fastening m rials) Chairman and CEO Silas S. C cart sees an advantage in diversit industries served.

"A slight recession will affect diffe industries at different times," says C cart. "A broad range of industries sh dampen that to a large extent. I d think we see the growth impetus we earlier this year, but we don't see cutbacks and we don't see any inven accumulating with our customers."

Says J. Thomas Schanck, president CEO of Signode, the packaging mate maker: "Right now, our order patte firm and better than we expect Schanck, like his counterpart at De son Manufacturing, Nelson S. Gif

Industrial Equipment:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
PRODUCTION EQUIP												
Cooper Industries	23.8%	1	26.2%	0.3	19.8%	3	16.4%	8.6%	20.2%	1	26.6%	4
Briggs & Stratton	21.9	2	23.9	0.0	23.4	1	21.7	8.3	12.2	7	9.2	15
Chic Bridge & Iron	20.3	3	18.8	0.0	15.4	2	16.7	9.6	10.9	10	15.7	8
Houdaille Industries	18.3	4	16.9	0.2	14.0	5	14.4	6.6	8.5	16	14.5	9
Wallace-Murray	18.1	5	21.0	0.8	10.9	14	9.9	4.7	9.2	15	12.3	13
Harsco	18.0	6	17.3	0.3	14.0	4	14.9	5.8	13.7	5	16.1	7
Eagle-Picher Inds	17.7	7	17.1	0.3	12.9	7	13.0	5.4	10.9	11	14.4	10
Parker-Hannifin	17.6	8	17.2	0.3	13.4	8	12.6	5.6	15.6	3	12.5	12
Sundstrand	16.9	9	20.3	0.7	12.2	15	9.8	6.6	13.8	4	26.8	3
Johnson Controls	16.2	10	22.9	0.3	18.6	6	13.2	6.2	10.1	14	11.5	14
Ingersoll-Rand	15.5	11	14.3	0.3	10.9	9	12.6	5.7	17.6	2	7.5	16
Studebkr-Worthington	14.6	12	27.5	0.2	21.3	10	11.9	8.8	6.7	18	16.8	6
Midland-Ross	14.2	13	15.2	0.4	11.3	11	10.5	5.4	10.2	13	30.0	2
H K Porter	12.4	14	15.2	0.7	9.6	13	10.1	3.1	8.3	17	77.9	1
Norton	12.0	15	16.9	0.3	13.9	12	10.2	6.3	13.0	6	13.4	11
Cincinnati Milacron	10.3	16	17.2	0.6	11.6	17	7.8	4.9	11.4	8	18.6	5
Chic Pneumatic Tool	8.4	17	10.6	0.1	9.7	16	8.6	4.9	10.9	9	–2.3	18
Warner & Swasey	7.6	18	8.0	0.3	6.5	18	6.2	3.8	10.3	12	5.2	17
Medians	**16.6**		**17.2**	**0.3**	**13.2**		**12.3**	**5.8**	**10.9**		**14.5**	

"With any equipment, I rate service #1. That's why we're happy with our Kodak copiers."

d Maskow
entral National Bank
f Cleveland

Vith more than twenty-
ve years of experience
r. Maskow, reprographics
nanager at Central
lational Bank of Cleveland,
as seen a lot of copying
quipment come and go.
e can't speak too strongly
bout service. In fact, he
ates it as the number-one
actor. It doesn't matter
vhat the equipment is. If
e can't get service, he'd
ather not have it.

Yours was one of the first banks in Cleveland to get a Kodak Ektaprint copier-duplicator.

I believe so. And now I've got four of them going full-blast. Both for walk-up and for duplicating jobs that used to have to go offset. As a matter of fact, the copy quality is so well received, someday we may even forget about some of our offset capacity.

So you're really depending on this Kodak equipment.

I sure am. They replaced a real mixed bag of copiers, some of which were very hard to get any service for at all. Going with Kodak copiers has been a good move. I have nothing but good response from all, including my top management.

Of course, machines do break down. How do you find Kodak's response when you do need help?

It's been tremendous. The Kodak service representative always shows up fast. Does his job fast. And does it right. And the proof is, our uptime on these Kodak copiers is running 95% and maybe better.

To Central Bank— as to many other customers— Kodak service plus Kodak quality and built-in serviceability add up to one thing: more predictable performance. And what makes it work— month after month, year after year— is the Kodak service team. By training and design, they have just one responsibility: making sure Kodak equipment works the way it's supposed to.

For more details drop us a line. Eastman Kodak Company, Customer Equipment Services Division, Dept. K901, Rochester, New York 14650.

Kodak

Kodak service pays off in performance.

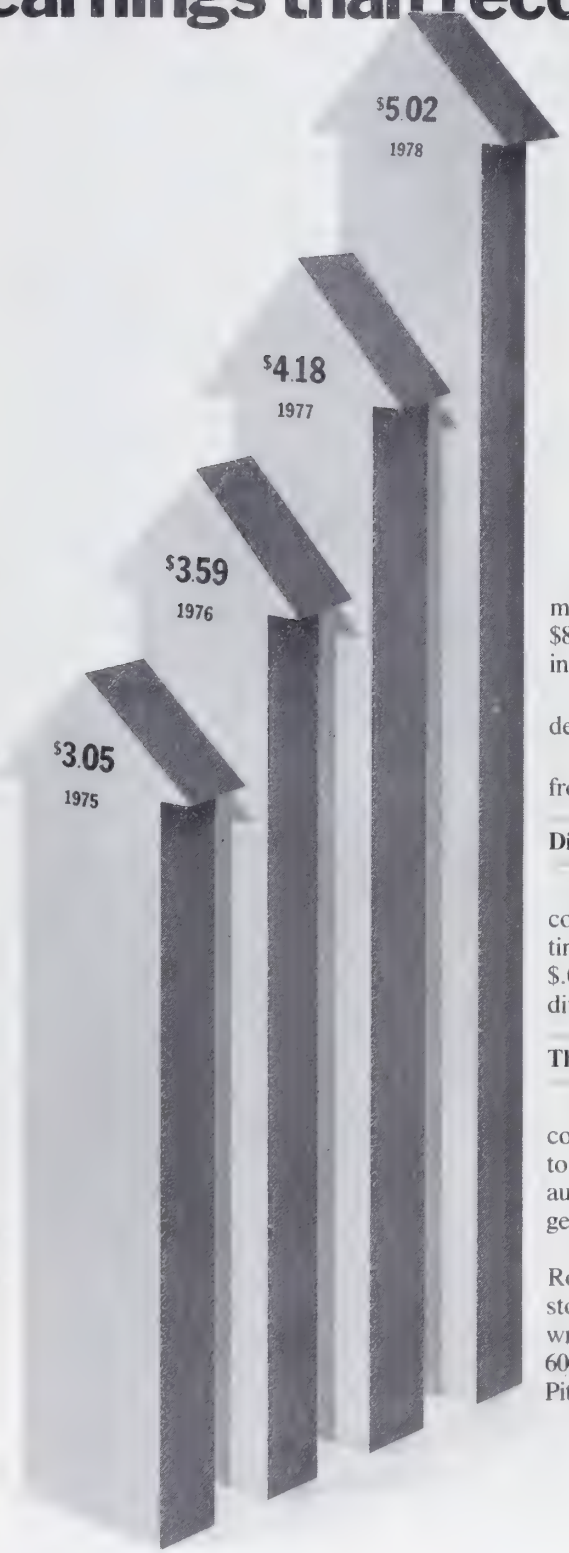
©Eastman Kodak Company, 1978

Industrial Equipment:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
SPEC EQUIP & MATRLS												
Tyler	24.6%	1	22.5%	0.4	16.9%	8	14.9%	6.0%	17.7%	8	27.2%	4
Ametek	21.4	2	21.4	0.3	16.5	1	16.9	6.1	10.9	21	21.4	6
Big Three Industries	19.1	3	17.3	0.3	13.2	7	15.0	13.4	27.1	3	27.4	3
Foster Wheeler	18.5	4	24.7	0.3	20.2	6	15.5	2.7	19.3	7	22.6	5
Stanadyne	17.5	5	17.7	0.2	15.1	2	16.5	4.9	11.5	20	13.6	12
Rexnord	17.4	6	17.4	0.3	13.7	10	13.2	5.8	14.3	13	18.3	8
Emhart	17.2	7	20.6	0.2	17.3	5	16.3	5.2	28.1	2	17.1	9
Illinois Tool Works	16.8	8	18.2	0.0	17.8	4	16.3	9.5	13.0	16	11.4	15
Tecumseh Products	16.4	9	19.5	0.0	19.5	3	16.4	6.2	6.2	26	8.5	22
Wheelabrator-Frye	15.3	10	18.3	0.3	14.9	14	12.0	5.0	23.3	5	48.5	1
Combustion Engnrng	15.1	11	18.1	0.3	12.1	17	11.2	3.3	12.0	18	10.7	17
Signode	14.5	12	15.5	0.2	13.1	15	11.9	6.0	12.8	17	9.5	19
General Signal	14.3	13	15.7	0.1	14.2	13	12.6	5.8	21.0	6	13.6	13
Hobart	14.2	14	14.2	0.4	11.3	18	11.1	4.9	12.0	18	6.6	24
Dennison Mfg	14.2	15	16.2	0.3	13.4	16	11.8	5.1	13.1	15	14.0	11
Foxboro	14.1	16	14.6	0.1	13.2	12	12.8	8.0	17.1	10	27.9	2
Amerace	14.0	17	12.4	0.6	7.6	24	8.4	3.4	7.0	25	7.7	23
Stewart-Warner	13.9	18	15.1	0.0	14.8	9	13.7	6.7	7.4	23	8.6	21
Timken	13.4	19	14.4	0.0	13.4	11	12.9	7.9	14.4	12	10.3	18
Peabody Intl	13.3	20	15.5	0.4	13.2	20	10.7	4.3	29.1	1	19.6	7
Harris Corp	13.3	21	21.3	0.4	16.3	19	10.7	6.0	10.0	22	11.0	16
Ex-Cell-O	11.8	22	12.6	0.1	12.9	21	10.6	5.5	7.3	24	12.9	14
Avery International	11.4	23	11.9	0.5	9.2	23	9.4	3.4	17.7	8	9.4	20
Envirotech	11.4	24	7.4	0.2	6.8	22	10.1	2.0	25.3	4	16.8	10
Browning-Ferris Inds	11.1	25	15.5	0.6	10.1	25	7.4	6.2	14.6	11	6.4	25
General Refractories	0.9	26	def	0.8	def	26	2.9	def	13.5	14	–23.9	26
Medians	**14.3**		**16.0**	**0.3**	**13.4**		**12.3**	**5.7**	**13.9**		**13.3**	
CONSTR & MAT HNDLNG												
Caterpillar Tractor	22.1%	1	22.3%	0.4	16.5%	1	16.5%	7.7%	17.2%	2	17.8%	3
Harnischfeger	15.1	2	10.3	0.8	6.8	3	10.7	3.7	20.2	1	28.1	1
Hyster	14.8	3	23.8	0.3	19.0	2	12.0	8.5	12.2	4	13.8	4
Amer Hoist & Derrick	14.6	4	9.7	0.5	7.3	5	9.1	3.1	12.6	3	22.8	2
Clark Equipment	14.2	5	15.3	0.4	11.9	4	10.4	5.3	10.7	5	7.1	5
Koehring	7.1	6	10.2	0.5	7.0	6	5.6	2.8	6.0	6	3.7	6
Medians	**14.7**		**12.8**	**0.5**	**9.6**		**10.6**	**4.5**	**12.4**		**15.8**	
MINING & DRILLING EQ												
Cameron Iron Works	24.9%	1	20.1%	0.4	13.3%	5	14.8%	10.5%	22.7%	4	45.4%	2
Baker International	24.8	2	23.9	0.4	17.1	2	17.5	8.4	36.8	1	31.1	4
Smith International	23.6	3	21.7	0.2	18.9	1	18.5	12.0	27.5	3	37.3	3
Dresser Industries	21.0	4	19.1	0.4	14.3	3	15.6	6.8	21.3	5	23.3	6
Bucyrus-Erie	18.2	5	17.8	0.3	13.8	6	14.7	9.9	21.2	6	20.9	7
Marathon Mfg	17.6	6	18.7	0.3	14.0	8	11.0	5.5	14.4	9	73.4	1
Joy Manufacturing	15.7	7	11.2	0.2	9.9	7	13.5	5.5	15.1	8	19.1	8
Hughes Tool	15.6	8	16.6	0.1	15.1	4	14.9	9.8	33.6	2	30.6‡	5
Gardner-Denver	12.4	9	16.3	0.3	12.5	9	10.9	6.8	16.8	7	1.4	9
Medians	**18.2**		**18.7**	**0.3**	**14.0**		**14.8**	**8.4**	**21.3**		**30.6**	
RAIL EQUIPMENT												
Amsted Industries	18.6%	1	21.9%	0.0	21.4%	1	18.1%	7.1%	12.7%	4	26.2%	1
Trans Union	14.9	2	15.9	1.3	6.5	4	6.0	5.6	23.2	1	8.3	4
ACF Industries	13.1	3	12.9	0.6	7.1	3	7.4	4.9	12.7	3	10.0	3
Pullman	12.5	4	14.5	0.3	12.1	2	10.2	2.2	20.5	2	14.9	2
GATX	7.3	5	3.6	0.9	3.3	5	4.6	2.9	10.5	5	–6.4	5
Medians	**13.1**		**14.5**	**0.6**	**7.1**		**7.4**	**4.9**	**12.7**		**10.0**	
Industry Medians	**15.1**		**17.0**	**0.3**	**13.4**		**12.0**	**5.8**	**13.3**		**14.5**	
All-Industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. ‡Four-year growth. def Deficit.

There's more to Rockwell International's 1978 record earnings than record earnings.



Fiscal 1978 was the most profitable ar in Rockwell's history. Net income was a record $176.6 llion, or $5.02 per share, up 23% over cal 1977 income of $144.1 million, or .18 per share.

e Story Behind the Record.

But there's more to Rockwell's 1978 ancial performance story than the cord shows.

- The company's operations covered nearly $500 million in venues lost by cancellation of the B-1 craft production program to achieve ar record sales of over $5.6 billion.
- In spite of a $.75 per share provision discontinuance of the company's mestic television business, earnings share increased $.84 to $5.02 to nieve the best earnings performance history.

althiest Financial Position Ever.

In addition to a 1978 record earnings formance, Rockwell's overall ancial position is stronger than at any e in its history. For example:

- Record capital expenditures of $219 million and record dividend payments of $81 million were fully covered by internally generated cash.
- During 1978, the company's total debt decreased by over $125 million.
- Debt-to-equity ratio is .38 reduced from .99 at the end of fiscal 1974.

Dividend Increased.

The quarterly dividend rate on common stock increased for the sixth time in seven years — an increase of $.05 per share, bringing our quarterly dividend rate to $.60.

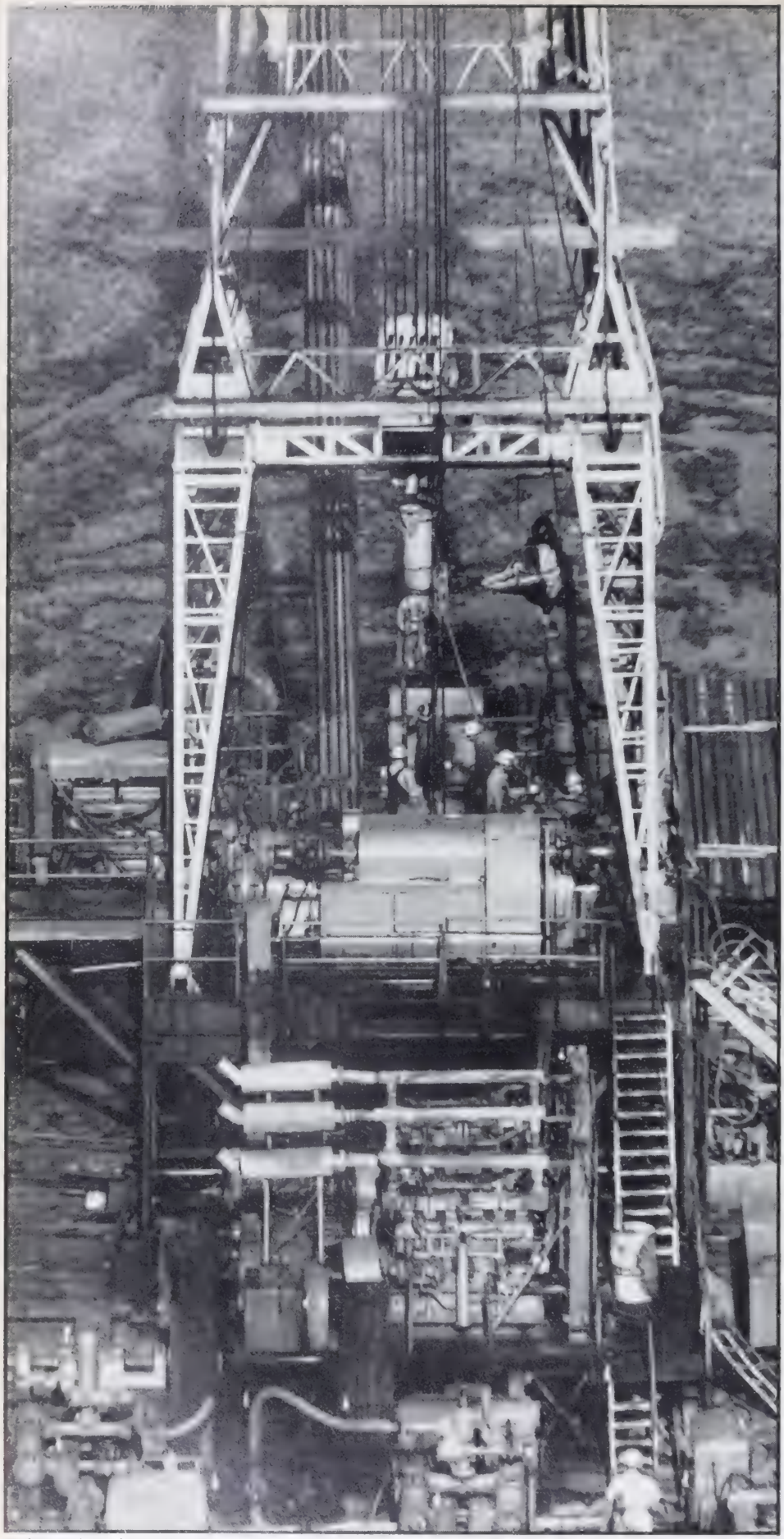
The Company Behind the Record.

Rockwell is a major multi-industry company applying advanced technology to a wide range of products in its automotive, electronics, aerospace and general industries businesses.

That's just the beginning of Rockwell's 1978 financial performance story. For a copy of our annual report, write to Rockwell International, 600 Grant Street, Dept. 815, Pittsburgh, Pennsylvania 15219.

Rockwell International

...where science gets down to business



Oil roughnecks pulling a drilling bit near Baytown, Tex.
More and deeper wells mean a continuing boom in drilling equipment.

expects to see some dampening in
aging materials and equipment. Ho
er, adds Gifford, "Only 20% of our
ness is in packaging, so we don't e
to be hurt."

But Dr. Joseph A. Boyd, chief e
tive officer of Harris Corp., sees lit
any dampening. Harris serves the
ing and communications indus
both of which are booming, and
says that his growth rate could pos
slow from about 20% to somew
around 10%.

"The fastest growing segment of
business is related to the basic info
tion processing and communicatio
dustries," says Boyd. "I guess the t
that are really driving our market
the rapid technological developmen

Construction equipment makers
fairly optimistic despite the exp
downturn in the housing market.
fore the high interest rates came
says Richard T. Lindgren, chairman

***U.S. producers will have t
hands full maintaining m
ket share abroad. In Sa
Arabia, for every $1 won
U.S. construction firms,
South Koreans get $3.***

president of Koehring Co., "we wer
creasing significantly our produc
schedule for construction equipm
There was strengthening of deman
cranes and some improvement in
maintenance equipment. Housing s
were high and we saw opportunitie
our water-well drilling equipment, t
In the event of a serious drop in hou
starts, Koehring and other similar
panies probably will not feel the cr
until some time next year, says L
gren. But he has to be optimisti
quick glance at the yardstick *(see p.*
will show you why: Koehring is ska
on thin ice.

The mining, forklift and earthmo
equipment made by Harnischf
Clark Equipment and Caterpillar Tra
may buoy their earnings to some ext
but the outlook here is quite uncer
Internationally, as foreign construc
firms get more contracts (in Saudi
bia, for every $1 garnered by U.S.
struction firms, the South Koreans
$3), more foreign-made equipmen
likely to be used, so U.S. producers
expect to have their hands full maint
ing market shares abroad.

In short, industrial equipment pro
ers have seldom been in better shap
weather an economic slowdown,
vided it doesn't last much longer t
nine months. When this industry
classic lag indicator—begins to feel
pain, the economy, ironically, has
ready started to recover. ■

There are no easy answers to the worldwide energy problem. But one fact is obvious: any long-term solution will require massive and imaginative investment.

Canadian Imperial Bank of Commerce – over $38 billion (Canadian) strong – has been involved in worldwide energy development for years. And we are stepping up our involvement.

We participated in the formation of the International Energy Bank, whose shareholders and associates have combined assets of over $200 billion. This bank's purpose is to finance energy development worldwide, beginning with the North Sea. It's a sound idea. But it's only one of many which we are considering.

We have evaluated energy proposals ranging from nuclear power plants to hydro-electric complexes, from Norway to the Near East. As 'The Ideas Bank,' good ideas are our stock in trade. So if you have an idea in the energy business, call your nearest Canadian Imperial Bank of Commerce office.

CANADIAN IMPERIAL
BANK OF COMMERCE

Head Office – Commerce Court, Toronto M5L 1A2 Canada New York Agency 22 William St., N.Y. 10005 • (212) 825-7000
Over 1,700 branches in Canada branches or banking offices in major business centres worldwide

Strike threats + big spending to meet federal standards + rising interest rates + a possible recession = storm warnings for Detroit.

Automotive

New Fords awaiting shipment to Europe
With the dollar down, and domestic markets nervous, overseas markets beckon.

TO HEAR General Motors Chairman Thomas Murphy tell it, Detroit will have a bumper year—and forget about any economic downturn. "We still expect record sales," he says, predicting 11.5 million new car deliveries in 1979, up from 11.3 million last year. But Ford Motor Co. Chairman Henry Ford II is far more pessimistic, conceding "a gradual slowdown in economic growth through the year." His forecast: a 4% decline in sales to 10.8 million cars. Then there are Wall Street analysts, like David Healy of Drexel Burnham Lambert Inc., who foresee more than an 8% drop in 1979 car sales, leading to a 35% to 45% slide in earnings for both GM and Ford, and, perhaps more worrying, to Chrysler sinking deeper into red ink.

Even without a recession, the automotive industry has big problems: notably the possibility of UAW and Teamster strikes and the necessity of compliance with the rigorous federal fuel economy standards.

Faced with these prospects, the industry may retrench in some areas and push ahead in others. Banking that change will stimulate sales, Detroit is introducing more midyear models than ever before. In the coming weeks Chrysler will begin promoting two sporty versions of its front-wheel-drive subcompacts, the Dodge Omni and Plymouth Horizon (so far, only four-door versions have been offered). General Motors' push will come in spring with a line of front-wheel-drive compacts. It is the first time GM has made a major midyear introduction. Ford will offer a new, flashier Mustang.

The new offerings, however, are breaking into a market where lagging sales have already forced Chrysler and American Motors to cut production in order to reduce growing dealer inventories. For this year, that means little improvement for the two automakers mired at the bottom of the FORBES ranking. The 15,000 workers Chrysler will be laying off in early January will not affect the production of its subcompacts Omni and Horizon, which are backlogged with orders. Further sales declines could also force GM and Ford to pare their output early this year as well.

The key, of course, is in the consumer's hands, which hold less dispos income and more debt than last Moreover, tighter credit promise make car loans more costly and hard get. Fear of recession drove car-bu plans down sharply, for example, to the end of last year as confidence sa according to Fabian Linden, direct consumer economics at the New Y based Conference Board, a nonprofi search organization.

But the industry has little choice o than to push full throttle in a market could run out of gas. Despite any decline, hefty capital outlays will co ue if only because the industry is mitted to spend $30 billion by the Eighties for more fuel-efficient and cars. Since that spending means bor ing in the face of rising interest r there could be an earnings crunch further disappointments for inve who rely on dividends. Trou Chrysler cut its quarterly dividend year and so far has been silent ove plans to restore it. GM reduced its end payout to conserve cash for its ital program, which totals $5 billion year compared with last year's re $4.5 billion. Ford expects to spend a $3.5 billion, an increase of 40% 1978. About 65% of the outlay will g domestic production. So, maintai dividends may not have the same p ity as in the past.

"We project more than 80% of North American product spending tween now and 1985 will be require meet government standards [for emissions and safety controls]," n Henry Ford.

Worse, upcoming labor talks c hurt industrywide profits and sale well. A strike by the Teamsters u whose contract expires Mar. 31, c sock trucking companies hard enoug stop new equipment purchases. T sales this year are expected to at l equal last year's record 4.1 million u Truck profits, in fact, strongly contri ed to Ford's above-average return o uity showing on the FORBES yards and helped offset the impact of a strike in its British operations. GM Ford account for about 75% of the mestic truck market. Current back

PONTIAC GRAND PRIX

OU'LL FIND SOMETHING NEW TO LOVE EVERY TIME YOU DRIVE IT.

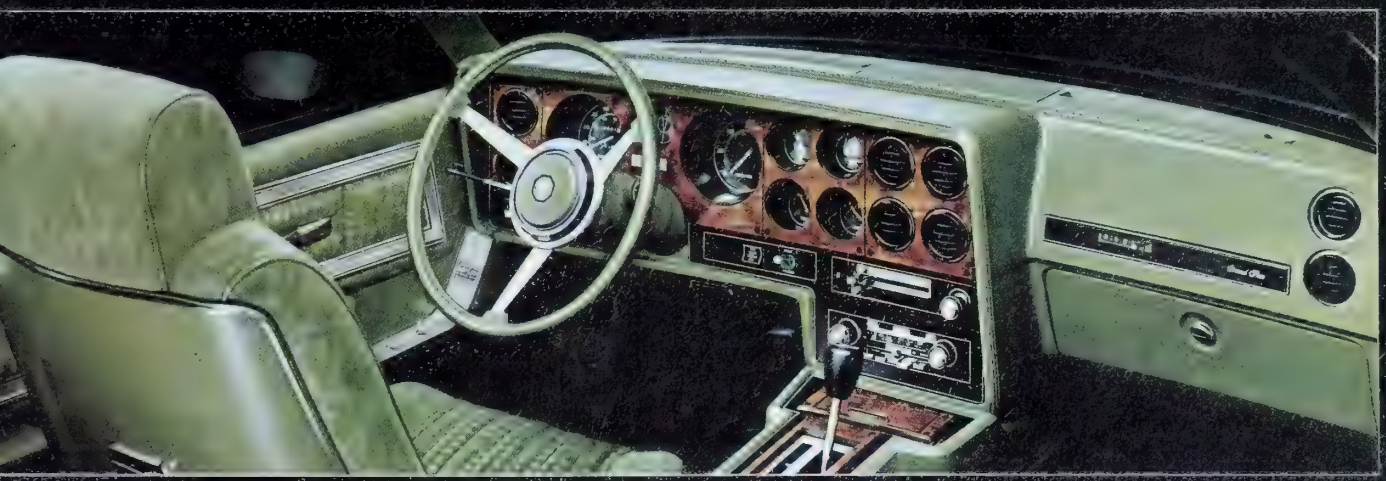
irst, it may be Grand Prix's beautiful, trim styling captivates you the most. With its rich, formal roof-. And new cross-hatch grille.

he next time, it may be Grand Prix's luxurious inte- that charms you. With its soft, available bucket seats. mpressive roominess. And impressive quiet, due in to special body mounts and door and body seals. 's easy to fall in love with Grand Prix's road ability, too. There's a new freer breathing standard 3.8 litre (231-CID) V-6 that will amaze you with its response. Grand Prix is equipped with GM-built engines produced by various divisions. See your dealer for details.

It all makes Pontiac's new 1979 Grand Prix one very enchanting automobile to buy or lease.

And makes owning one a love affair... that never seems to end.

GM

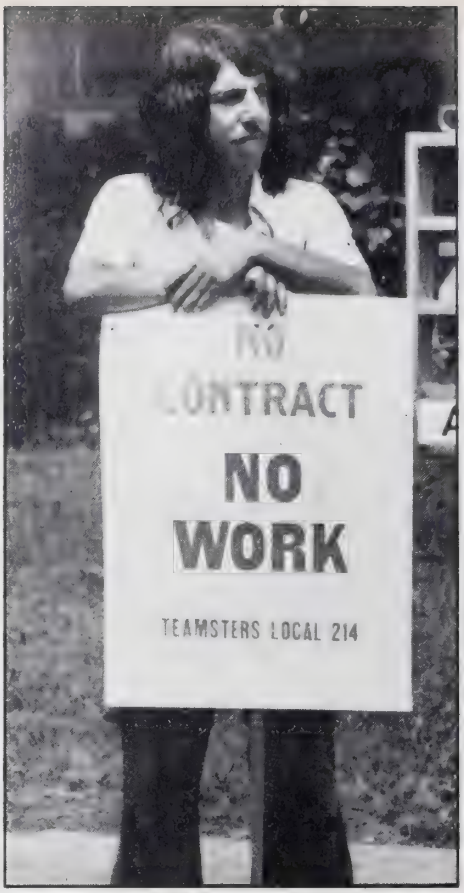


THE 1979 PONTIACS OUR BEST GET BETTER

are healthy, running 90 to 120 days for such heavy-duty truckmakers as International Harvester, PACCAR, Signal's Mack division and Fruehauf, which makes trailers. Harvester, the industry leader with 26% of the heavy-duty market, sees its 1979 sales "a little stronger" than last year's. Says Tom Dougherty, vice president for truck operations: "The order board for commercial trucks is up significantly. In my opinion, there is no reason to believe there is much, if any, error in our estimation."

The Teamsters aren't the only anxiety so far as labor is concerned. If the United Auto Workers decide to strike next September, the odds are, given its pattern in recent years, that GM and its suppliers would be hit first. Chrysler and AMC are too small and troubled. Ford was the prime target of the four-week strike in 1976. GM was last struck by the UAW in 1970 for ten weeks, resulting in a production loss of 1.5 million cars and trucks. "A 60-day strike would reduce GM's earnings roughly $3 per share," says Detroit auto analyst Arvid Jouppi.

The strike also would put a crimp in GM's ambitious overseas plans for this year. With well over half of the domestic car business, GM intends to pay more attention to European markets, where it lags well behind Ford—especially now



with the dollar down relative to Eu an currencies. It will concentrate o markets of Germany, Belgium, Sw land and Sweden.

The game is still fuel economy f automakers, whose fleet of cars i '79 model year must average 19 mil gallon. "From here on out, the cons will have to give up comfort for e austerity," suggests one Chicago dealer. It means a new crop of sm lighter, down-sized cars. And, in th of GM, it means two sizes of opt diesel engines in its Oldsmobiles, C lacs and light trucks. GM's Cadill dorado will be 1,200 pounds lighte 20 inches shorter. Ford and Mercury size cars have been pared by som pounds and more than a foot in len

Meeting the economy standards means higher prices on the bigger fuel-efficient cars in order to enco purchase of smaller cars. Ford will tinue pushing its Pintos, GM its vettes. Ford also is expected to hold filling orders for cars equipped wit engines. It is feeling the greatest pre meeting the standards due to the sales of its Pintos, which receive recall publicity for their alleged f gasoline tanks.

The redesigns may be a headac Ford, GM and Chrysler, but they

Automotive:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital					Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
VEHICLES												
Caterpillar Tractor	22.1%	1	22.3%	0.4	16.5%	2	16.5%	7.7%	17.2%	4	17.8%	3
PACCAR	19.0	2	24.7	0.1	23.0	1	17.4	5.5	14.6	5	14.0	5
Deere	18.0	3	16.9	0.3	13.3	4	14.6	6.6	18.7	2	19.5	2
General Motors	17.3	4	22.3	0.1	20.3	3	15.7	5.7	10.8	11	6.2	11
Hyster	14.8	5	23.8	0.3	19.0	5	12.0	8.5	12.2	7	13.8	6
Clark Equipment	14.2	6	15.3	0.4	11.9	7	10.4	5.3	10.7	12	7.1	8
Signal Companies	14.0	7	17.0	0.4	11.5	8	9.9	4.2	12.1	8	38.2	1
Ford Motor	13.8	8	20.1	0.2	16.9	6	11.4	4.1	11.8	9	9.3	7
Fruehauf	12.6	9	18.5	0.7	11.0	9	8.5	3.6	23.1	1	6.3	10
Intl Harvester	10.2	10	11.7	0.5	8.6	10	7.8	3.2	11.7	10	15.4	4
Massey-Ferguson	7.0	11	def	0.8	def	11	6.9	def	17.6	3	7.1	9
American Motors	def	12	7.5	0.3	6.5	13	0.5	0.9	13.0	6	P–D	12
Chrysler	def	13	def	0.4	def	14	0.4	def	9.7	13	P–D	12
White Motor	def	14	def	0.9	def	12	0.8	def	5.6	14	P–D	12
Medians	**13.9**		**17.0**	**0.4**	**11.7**		**10.2**	**4.2**	**12.2**		**8.2**	
TIRE & RUBBER												
Genl Tire & Rubber	13.0%	1	13.0%	0.4	10.0%	1	9.7%	5.3%	12.0%	1	11.8%	1
Goodyear	9.2	2	9.9	0.5	7.0	2	7.0	2.8	10.1	2	0.3	4
Armstrong Rubber	7.8	3	7.9	0.7	6.2	3	5.9	2.6	10.0	3	6.1	2
Firestone	6.8	4	0.3	0.4	1.3	4	5.6	0.1	9.6	4	–4.2	5
B F Goodrich	5.7	5	6.9	0.5	5.9	5	5.2	2.4	8.8	5	5.2	3
Uniroyal	3.8	6	def	0.7	1.7	6	3.6	0.1	6.7	6	–10.4	6
Medians	**7.3**		**7.4**	**0.5**	**6.1**		**5.8**	**2.5**	**9.8**		**2.8**	

Sitting Pretty.

There are sound reasons why South Carolina's sitting pretty. We have a constitutionally mandated balanced state budget . . . one of the lowest per capita tax burdens in the nation. We've built technical schools, colleges and universities needed to provide business with both highly skilled workers and well educated professionals. Our construction and leasing costs have historically been the lowest in the nation.

We're at the heart of 7 million consumers in the strategic Piedmont Crescent and closer to centers of buying power than any other Southeastern state. We have one of the highest worker productivity rates in the nation and the lowest rate of business failure. Now that's sitting pretty.

South Carolinians have gone the extra mile to create an environment in which our cities can grow and prosper . . . because we know that once a city falls apart, all the king's horses and all the king's men can never quite put it all back together again.

Find out how your business, be it corporate or sales offices, research and development facilities, manufacturing plant or distribution headquarters, can share the wealth of a South Carolina city. Write or call the professionals at the South Carolina State Development Board, Robert Leak, Director, Suite 213, Post Office Box 927, Columbia, South Carolina 29202. (803) 758-3145, TWX (810) 666-2628.

South Carolina

Grumman brings you fresh flowers. 9 weeks old.

They're still fresh and fragrant as the day they were cut. Yet these carnations have lived 6 times longer than nature intended, protected by a unique development from Grumman.

Dormavac. A new way to store and transport flowers, meat and fresh produce without freezing, bringing them to world markets without adding the expense of air freight.

Using only an environment of controlled temperature, low air pressure and high humidity, Dormavac keeps commodities fresh for long periods of time. This means more fresh food on tables around the world, and new world markets for perishables, including beef, pork, lamb, strawberries, papayas, mangoes, limes and a variety of living plants and flowers.

Dormavac. Developed with the space age technology that goes into everything we make.

From our aerospace systems, like the F-14 Tomcat fighter which has no equal.

To our diversity of products. Like our Pearson yachts. Data Systems. And our Sunstream™ solar energy systems for home and business.

We're Grumman. We're technology, performance and reliability. Grumman Corporation, Dept. GCP, Bethpage, New York 11714.

GRUMMAN

The reliable source

nza for the 25,000 firms that annu-
leliver about $50 billion in parts and
ces to the auto industry. Any dip in
sales, of course, will be felt by origi-
equipment manufacturers (OEMs)
Libbey-Owens-Ford (the single larg-
lass supplier to the industry), Cum-
Engine, A.O. Smith (frames),
er-Globe (steering wheels), Bendix
es), Eaton (truck parts), Borg-
er (transmissions) and the tire pro-
rs, which chalk up 30% of their vol-
in new autos. General Tire & Rub-
the fifth largest among the tire
, but by far the most profitable with
% return on equity, is diversified
gh to withstand a mild slump. But
tire companies like Goodyear,
ber two in the ranking, and Fire-
, traumatized by its huge $200 mil-
ecall, will feel the impact even more
use of the beating they are taking in
gn markets. About 30% of both
year's and Firestone's sales are out-
the U.S. "A decline in sales would
excess capacity and could lead to
-cutting," says Donald DeScenza of
ldson, Lufkin & Jenrette.
anwhile, there are some OEMs that
found their niche. Purolator, for ex-
e, a maker of gasoline filters, is do-
xtra work for Ford in solving its

Other tire companies like Goodyear, which is number two in the ranking, and Firestone, traumatized by its huge $200 million recall, will feel the impact even more because of the beating they are currently taking in foreign markets. About 30% of both Goodyear's and Firestone's sales are outside the U.S. "A decline in sales would mean excess capacity and could lead to price-cutting," says Donald DeScenza of Donaldson, Lufkin & Jenrette.

Pinto gas tank problems. Signal's Garret Corp., a longtime maker of turbochargers for trucks, is tooling up to make 400,000 of them by June. Both GM and Ford intend to equip more of their small engines with turbochargers, the device that gives a car faster acceleration. Hoover Universal, which leads the FORBES yardsticks making casters, springs and bearings, will be on stream with its $8 million plant to make seat cushions for the '79 Volkswagen Rabbits. Other suppliers are still searching. Questor Corp., for example, decided to get out of the piston-ring business. It concluded the expense to upgrade its facilities would not be worth it since the advent of four- and six-cylinder cars means a smaller piston market. Instead it will focus on mufflers, toys and sporting goods to bring it off the bottom rung in return on equity on the FORBES yardstick.

Those companies that will least feel a downturn are the replacement parts suppliers. Echlin Mfg. Co., which ranks number two in the FORBES list on return on equity, will be supplying ignition, brake, carburetor and speedometer parts to autos that are three to ten years old. Champion Spark Plug, realizing that cars with fewer cylinders means fewer spark plugs, plans to diversify by making windshield wipers. Genuine Parts, which does no manufacturing, will maintain its strong profitability position (number one in return on capital) as a nationwide distributor of auto parts.

For sure, the automotive industry is vulnerable. Yet no one expects it to take the kind of plunge it did in 1974, when deliveries fell 23% to 8.9 million units. Still, the industry will have to work hard to avoid a serious earnings downturn in the months ahead. ■

Automotive:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales	Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
AUTO SUPPLIES												
Hoover Universal	21.7%	1	26.0%	0.3	20.1%	2	16.7%	5.8%	12.4%	9	13.7%	7
Echlin Manufacturing	21.3	2	21.4	0.4	15.8	4	15.0	6.7	22.4	1	16.6	3
Genuine Parts	20.6	3	20.0	0.0	19.4	1	20.7	4.3	15.9	2	15.9	5
Dana	19.3	4	21.3	0.3	17.1	5	14.7	6.0	15.4	5	16.8	2
Arvin Industries	17.3	5	17.2	0.6	11.0	7	11.2	4.7	15.2	6	20.8	1
Champion Spark Plug	16.9	6	16.7	0.1	15.7	3	15.4	8.9	9.3	14	6.1	15
Sheller-Globe	16.7	7	14.1	0.6	8.9	14	9.8	2.8	15.6	4	10.6	10
Eaton	15.1	8	17.6	0.5	12.1	11	10.3	5.1	10.7	12	8.4	12
Barnes Group	14.8	9	16.9	0.3	13.7	6	12.2	4.5	13.8	7	12.9	8
Cummins Engine	14.4	10	15.5	0.3	11.5	13	10.0	4.2	15.7	3	12.8	9
Purolator	13.9	11	10.5	0.3	8.6	10	10.7	2.5	11.9	11	1.8	17
Bendix	13.7	12	15.2	0.3	12.4	9	11.0	3.6	12.1	10	14.2	6
Federal-Mogul	13.3	13	19.5	0.2	15.2	12	10.1	6.0	9.1	15	9.5	11
Libbey-Owens-Ford	12.6	14	15.4	0.2	12.8	8	11.0	6.1	9.6	13	2.2	16
Allen Group	10.9	15	13.4	0.6	9.4	16	7.9	2.9	13.0	8	16.2	4
Borg-Warner	10.8	16	14.5	0.2	12.7	15	9.6	5.7	9.1	16	8.3	13
Maremont	10.4	17	12.4	0.6	7.2	17	6.8	3.8	4.3	19	6.5	14
A O Smith	6.5	18	15.0	0.2	11.5	18	5.5	3.5	6.2	18	–1.0	18
Questor	2.1	19	3.4	0.8	3.4	19	2.9	1.1	7.4	17	–21.8	19
Medians	**14.4**		**15.5**	**0.3**	**12.4**		**10.7**	**4.5**	**12.1**		**10.6**	
Industry Medians	**13.7**		**15.3**	**0.4**	**11.5**		**10.0**	**4.2**	**11.9**		**8.4**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

ote: Explanation of Yardstick calculations on page 40. P-D Profit to deficit. def Deficit.

IBM is winning even while it is losing in one of the few major industries still booming.

Information processing

IBM terminals designed to help small retail stores verify credit cards or checks

A slipping market share in an exploding market.

IN LATE 1977 Frank T. Cary, chairman of IBM, told a FORBES man he traveled to the People's Republic of China and was "astounded." His hotel room had no lock, because in that communist society there was absolutely no stealing. But when Cary then went to Hong Kong, "the most capitalistic place in the world, the stealing was the worst I have ever encountered."

Of course, everyone knows what happens to thieves in places like Communist China. If they don't shoot them, they send them for "reindoctrination," which can be worse than being shot. Still, there must be times when Cary wishes he were in the People's Republic. In the States everybody is stealing little pieces of his market. Tiny Cray Research now dominates superfast scientific computers, and IBM isn't even remotely a contender. Amdahl, Itel and a dozen other firms make equipment that runs on IBM software and can be plugged in when you take an IBM machine out; most had record earnings in 1978 and will in 1979, too. Minicomputer makers like Digital Equipment, Data General and Hewlett-Packard continue their rapid growth, persuading many IBM customers to buy their small computers instead of trading up to larger IBM mainframes. Small and not-so-small companies (they include Xerox) are underpricing and outperforming IBM in word processors. Even Exxon has been taking bites. IBM's processor screen, with only eight lines visible at one time, is inferior to the 64-line job produced by Exxon-backed Vydec—as well as by a 66-line Xerox machine. Exxon also beat IBM to market with the intelligent typewriter. Even in electric typewriters, where IBM is entrenched, Olivetti's machine has picked up 2% in market share. Meanwhile, IBM's two main current efforts to steal other companies' markets were being talked about everywhere as flops: minicomputers and copiers.

Poor IBM.

Poor IBM? It had a record year in 1978 with an estimated 14% earnings gain and almost certainly will have a larger gain in 1979. In fact, 1979 is in the bag for it, helped by a huge backlog of orders for IBM's 303X series computers.

The simple fact is that the mark growing so fast, IBM can lose m share and market segments and come out way ahead. Thanks to m miniaturization, data processing i only major industry left where costs keep coming down in spit inflation, and so computer-type proc are a best buy.

IBM remains what it has beer years: a superb economic organizati perhaps the world's best. Despite huge size (revenues of over $20 billio is beautifully profitable (profits: $3 lion in 1978). This shows in its retur total capital, 22% *(see yardsticks)*. I net profit margin of 14.7% *(see yards* is not topped by any rival.

Nearly every information-proces company appears headed for higher ings in 1979, the oft-predicted reces notwithstanding. "I don't think we be hit as hard as more traditional ca ity-creating industries," says Edso Castro, president of minicomp growth champion *(see yardsticks)* General. "That's because we are pro tivity-increasing, and the demand that continues in an economic dc turn. The underlying costs of distrib processing such as semiconductors, c munications and a dozen other elem are going down. As costs fall, more jects become economically justifiec the whole market is exploding."

What is de Castro talking about— tributed processing? He's talking al the growing tendency for users to l small, auxiliary-type machines on l tion plugged into huge computing stat elsewhere. Machines that were once sive, like telephones, typewriters, registers and typesetters—that requ human intelligence to operate the now can work on their own with the a computers. Thus is electronic data cessing being "distributed." This cre demand for smaller, less complex eq ment and so provides big openings smaller companies. Control Data is n ing progress in computer-based inst tion for schools. NCR's electronic register systems—they can even ve credit ratings—have turned around once lagging company which is now ond only to IBM in profit margins.

ter Bleyler, vice president, tells how A&A works from a client's point of view:

"We're way ahead in projecting how new retirement laws affect benefits planning."

"Our computer operation is eady able to project accurately the anges in the Social Security law d tell clients what they need to ow: not only the employer cost of e Social Security tax but also its ancial impact on their benefits ograms. We're also counseling on e effect of the new mandatory irement age. From the client's nt of view, pensions, life insur- ce, medical plans and disability come programs could all be problem areas."

Working from a client's point of view is our way. In St. Louis, where Pete Bleyler, F.S.A., is a consulting actuary. And in over 110 cities here and overseas. That means working as allies, solving business problems together. Our Human Resource Management experts not only coordinate benefits planning to avoid costly overlapping, but they're on top of late-breaking governmental regulations.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

What do you see when you look at a tree? It depends on your perspective.

You might see a source of jobs.

You might see a source of lumber, plywood, paper, packaging—"need" products as opposed to "want" products.

You might see an ideal base for a growth business, a natural resource that, managed properly, renews itself perpetually.

You might see a splendid example of Nature's artistry.

When we look at a tree, we see all these things, and more. We see our life's blood. Much of what we do depends on trees. So we take care of ours.

We strive to manage them in a way that reconciles your perspectives and ours, so they'll provide jobs, products, profits and splendor forever.

If we succeed, everybody wins. You the worker, consumer, investor and citizen. And we the employees and shareholders of Boise Cascade.

Reason enough to try, don't you think?

Boise Cascade Corporation

A company worth looking at.

competition appears everywhere for the pieces and building blocks of what formerly would have been a strictly IBM system

The oldest, most established competitors of IBM have all prospered, but shown lower growth than the newer comers. That's because the old-timers like Control Data, NCR, Sperry Rand and Honeywell have tried to find a niche and leave Big Brother alone, hoping IBM does likewise. Sperry Rand particularly has been successful in creating a loyal customer base that stays with it as new machines are introduced. So has Burroughs. But the niche-finders have deliberately limited their prospects as compared to newer contenders like Amdahl.

The biggest growth, of course, has been in minicomputers—pioneered by Digital Equipment, which now has over $1.4 billion in revenue. IBM was slow getting into them, but it was inevitable that it would make a major thrust against the growing stronghold of companies like Data General and Hewlett-Packard. However, the smaller companies are no pushovers. "IBM's mini Series/I is internationally substantially below quotas," claims Data General's North American Sales Manager Frank M. Keaney, who recently left IBM. "The flaw was in their overall marketing strategy. They tried to emulate a minivendor with minimal software. But customers will not accept that from IBM. They have been trained to expect and demand full support."

Keaney goes on: "A second flaw is that

"IBM's mini Series/I is internationally substantially below quotas," claims Data General's Frank M. Keaney. "The flaw was in their overall marketing strategy."

Series/I is sold by IBM's Atlanta, Ga.-based General Systems division and it is not calling on many logical customers. Ideally, General Systems would be invited in by the White Plains, N.Y.-based IBM Data Processing division. Instead, IBM's DPD is worried about protecting its own customers rather than selling Atlanta's small computers."

In rebuttal, a spokesman for IBM's General Systems division claims the ies/I is meeting all expectations and improved Series/I will do well, too.

Long run, says Data General's de tro, IBM cannot be denied a signif market share of minis. But he "While IBM is taking a piece of the r computer business, we're going t taking away a chunk of what would formerly gone to their big mach Digital Equipment and ourselves built up a loyal customer base and ain't gonna own minis."

The turnaround of the year was X "Xerox entered 1977 with a weak uct line," says a well-informed obse "but now they have effectively strong, competitive pieces of cop equipment into every market segn That is a very major change." X 1978 earnings are expected to grow

Nevertheless, Eastman Kodak was ing Xerox fits with its Ektaprint c duplicator. But IBM's Series III c suffered from serious paper jams and er problems and even had to be te rarily withdrawn. Meanwhile X own big 9200s and 9400s, which serve as printing machines with qu

Information Processing:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
COMPUTERS												
Computer Sciences	41.6%	1	37.3%	1.5	17.2%	6	14.1%	5.0%	14.5%	7	D–P	
Data General	24.5	2	26.1	0.4	20.8	1	24.5	10.6	56.0	1	48.8%	2
Itel	22.5	3	26.2	1.9	8.5	11	8.8	7.0	30.9	3	49.7	1
IBM	21.2	4	23.1	0.0	22.4	2	20.4	14.7	13.3	9	14.3	8
Auto Data Processing	20.5	5	21.0	0.1	18.2	3	19.6	9.0	30.7	4	23.5	6
Hewlett-Packard	18.4	6	16.1	0.0	15.5	4	17.8	8.4	22.0	6	24.6	5
Digital Equipment	17.0	7	16.9	0.4	14.9	5	16.0	9.7	39.0	2	35.0	4
NCR	15.3	8	27.9	0.5	19.9	9	10.9	11.3	8.9	12	46.2	3
Burroughs	14.2	9	13.9	0.1	12.3	8	12.0	10.2	14.2	8	16.5	7
Sperry Rand	13.5	10	13.6	0.3	9.9	10	9.9	5.0	11.0	11	13.8	9
Honeywell	10.2	11	13.4	0.2	10.8	12	7.5	5.0	7.6	13	5.7	10
Control Data	5.1	12	8.2	0.4	6.4	13	4.4	3.0	12.7	10	0.9	11
Memorex	**		63.1	1.0	19.5	7	12.8	6.8	25.7	5	D–P	
Medians	**17.7**		**21.0**	**0.4**	**15.5**		**12.8**	**8.4**	**14.5**		**23.5**	
COPIERS & OFFICE EQ												
Moore Corp	18.7%	1	17.8%	0.2	14.4%	2	14.6%	6.4%	19.2%	2	11.5%	2
Xerox	18.3	2	18.2	0.3	15.3	1	14.8	7.9	16.6	3	9.6	3
Pitney-Bowes	18.2	3	20.3	0.5	13.7	3	12.2	6.1	11.9	5	37.0	1
Nashua	13.4	4	21.2	0.4	15.6	4	9.9	4.4	20.1	1	5.7	4
A B Dick	8.2	5	8.1	0.6	6.4	5	6.9	1.9	12.0	4	–3.7	5
AM International	2.0	6	10.9	0.3	9.3	6	2.7	3.3	6.5	6	–21.1	6
Medians	**15.8**		**18.0**	**0.4**	**14.1**		**11.1**	**5.3**	**14.3**		**7.7**	
Industry Medians	**17.6**		**18.2**	**0.4**	**14.9**		**12.2**	**6.8**	**14.5**		**14.3**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. D-P Deficit to profit; not ranked. **Not available; not ranked.

Get the latest update on Dana. Takes you two minutes.

That's right. *This* month's update. One phone call from wherever you happen to be will give you our year-to-date sales and earnings as well as a brief review of current events affecting Dana.

Here's the number to call: in the U.S., 1-(800) 537-8823; in Ohio, 1-(800) 472-8810.* At the end of our update, please make any comments or ask for any information you would like sent to you.

DANA

DANA CORPORATION
TOLEDO, OHIO 43697

*In Canada dial 1-(800) 263-7291. In the United Kingdom dial operator (100) and ask for FREEphone 2258

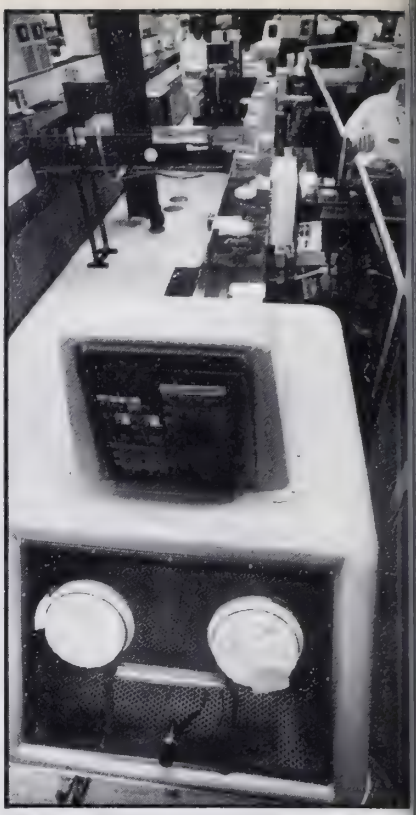
We want you to talk in our library.

Ours is a living library of spoken words. A library of roughly 40,000 textbooks on tape, available free of charge to blind students. Eligible students also include the visually impaired, the learning disabled, and the physically handicapped who cannot handle printed material.

These students continually require new texts. And to fill this need, volunteer readers make tapes in our 29 recording studios across the country.

We urgently need readers with technical or professional backgrounds, and native speakers of foreign languages. If you can spare two hours a week, please volunteer. We are a non-profit organization supported by contributions from the public.

Recording for the Blind . . . . . *an educational lifeline*
215 East 58th St., New York, NY 10022.



IBM computer-controlled chipmaking
Most integrated, most profitable.

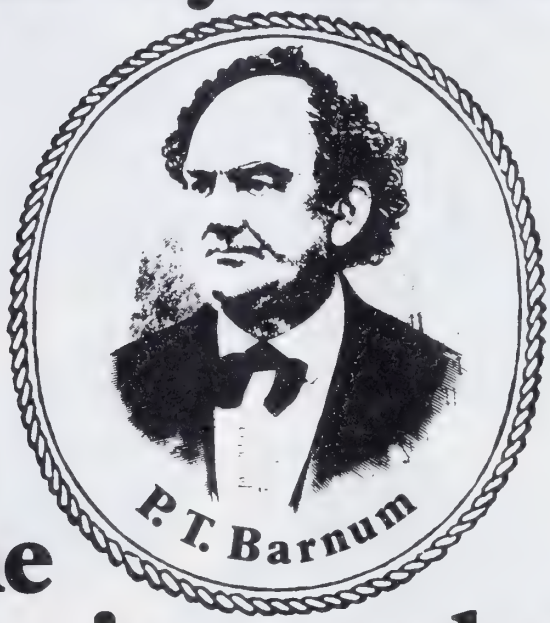
that is comparable to offset prin continued to do well.

In the low-priced plain-paper-c market, which Xerox neglected for cade, firms like Savin, A.B. Dick Nashua, which sold copiers made by Japanese firm Ricoh, continued to ha ball. Suddenly last fall Xerox count with its excellent 2600, which is pr about the same as a Savin, but has su or performance. Sales have taken off should continue strong in 1979.

Long run, Xerox knows IBM wil the competitor to beat. Sometime in mid- to late 1980s there will be no c ing industry. Instead, the office of future will utilize multipurpose chines which copy and do other th such as print electronic mail. So X has filed with the Federal Commun tions Commission to set up a sate system to compete with IBM and AT for data communications that will c out of those machines.

Even as IBM's market share drops ly, government lawyers and bureauc slowly shuffle masses of antitrust pa at incredible cost to shareholders taxpayers. The government wants break up a monopoly that no longer ists—if it ever did. While the bureauc fussed and fumed, the free-market tem and a series of tough, smart c petitors were doing the antitrust w for them. At the same time, thanks fast-growing overall market and to own organizational excellence, IBM growing stronger even as it is lo more than a few local battles. ■

P. T. Barnum once said: "I don't care what they say about me in the papers just as long as they spell my name right."



He'd have a hell of a time staying in business today.

Your sales—even your ability to do business—can be profoundly affected by what the papers say about you (with all due respect to old P. T.).

And you really have *little control* if somebody (even if he or she is completely wrong) picks a public fight with you.

Preparing for just such a public confrontation is what corporate advertising is all about. That's why so many companies carry this logic to the conclusion that follows it:

The Logic:

1. The time to make friends is before you need them.
2. You never know where you will need friends tomorrow.
3. So your corporate advertising should try to make friends everywhere—among millions.
4. You stand the best chance of making friends among reasonable, open-minded people.
5. Especially when you catch them in a friendly mood, prepared to believe what you say.

The Conclusion: Run your corporate advertising in Reader's Digest.

It goes to one out of four families in America. It guarantees the kind of public reach that television can only claim. It reaches well beyond the people whose support you already have (the readers of such traditional corporate advertising media as the business publications and newsweeklies) to a huge audience of people who are not yet committed either for or against you.

And The Digest goes to reasonable, open-minded people who read settled down, ready to feel friendly toward and believe companies that come into their homes with The Digest.

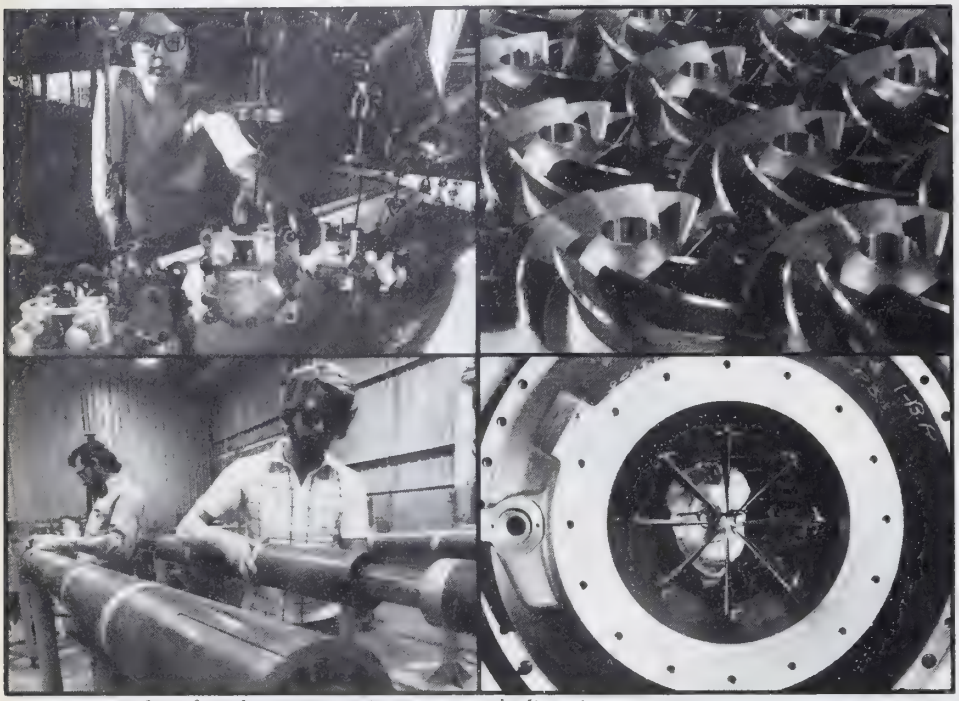
Corporate advertising in The Digest, in short, can help win millions of friends for your company *before* you need them. For *when* you may need them very much.

Reader's Digest

The place to make friends for your company.

For several compelling reasons—low stock prices and great interest overseas among them—the urge to merge and acquire goes on.

Multicompanies



Some examples of multicompany Borg-Warner's diversity
In the biggest deal of the year, it plans to merge with Firestone.

MULTICOMPANIES, which are to the acquisition and merger game what lions are to jungles, were more aggressive last year than at any time since the late 1960s. During the first 11 months of 1978, multicompanies and other firms announced or completed 74 acquisitions whose values topped $100 million. That's 80% above the level for all of 1977, when 41 such mergers were announced or completed, according to Tomislava Simic, director of research for W.T. Grimm & Co., the Chicago-based merger specialist. Of last year's mergers, 20 were in the superdeal class, involving more than $300 million each, including IC Industries' tender offer for Pet Inc., General Electric's takeover of Cox Broadcasting Corp., United Technologies Corp.'s bid for 49% of Carrier Corp., and the biggest deal of the year—Borg-Warner's $1.3 billion merger with Firestone Tire & Rubber Co., the nation's second largest tiremaker.

About 30 of the 44 conglomerates and 13 of the 25 multi-industry firms on FORBES' lists were engaged in some kind of acquisition activity. Chromalloy American Corp., W.R. Grace & Co., Alco Standard Corp. and Esmark, Inc. were among the most active acquirers, each doing four or more different deals during the year. Among those seeking acquisitions were "black knights," such as United Technologies and Curtiss-Wright Corp., which spent much of the year waging unfriendly battles for control of Carrier and Kennecott Copper Corp., respectively; "white knights," such as City Investing Co., which stepped in to save Uarco Inc. from merger-hungry Daylin Inc., and companies trying to save their own skins, such as LTV Corp., which finally consummated its shotgun wedding with Lykes Corp.

LTV, whose five-year average for return on equity ranks near the bottom of FORBES' conglomerate list, thinks the merger will bring health to its sickly Jones & Laughlin Steel unit and Lykes' even sicker Youngstown Sheet & Tube Co. operation. LTV Chairman Paul Thayer says, "The merger will primarily strengthen our steel operations by making them more competitive and significantly increasing their profit potential." He further asserts that the operation Youngstown and Jones & Laughlin f a way that will enable LTV "to ach substantial operating efficiencies."

Three companies on last year's glomerates list were themselves acqu by other merger-minded firms—Am Inc., by Dominion Bridge Co.; UOP I by Signal Companies; and National dustries, Inc., by Fuqua Industries, In

Why the continuing merger fever?

Although many firms continued t versify in an effort to hedge against cy cal downtrends in their main busines a principal impetus for acquisition c from the stock market. With stocks t ing at their lowest levels in years, it possible to offer a hefty premium market value and still end up paying than book value for some very attrac companies. For example, the new h ing company that will control B Warner and Firestone is offering F stone shareholders convertible prefe stock or debentures worth $870 mill or about 15% more than the market ue for Firestone common before merger was announced. But that's well below Firestone's book value about $1.6 billion.

As of Dec. 8, 1978, Norman Wein an analyst with Oppenheimer & counted 254 publicly held compan whose shares could be purchased for than the underlying current assets, all debt. "You get the fixed assets, go will, people and patents all for free," s Weinger. Companies like Cannon M Dynamics Corp. of America and G more Distilleries. In the case of Cann Weinger points out, for every share "buy at about 15, you get $2.59 in c $7.79 in inventory, $10.89 in receivab You get $17.34 in working capital, t have no long-term debt and the b value is about $32 a share. So yo getting about $2 in net working cap for nothing, and besides that you about $14 in fixed assets for nothi using a year-end balance sheet. Th why so many acquisitions are going 2½ to 3 times what the public is will to pay for stocks."

But low stock prices aren't alone sponsible for the spate of big-tic mergers. Contrary to popular belief

Multicompanies—Conglomerates
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Teledyne	29.4%	1	34.0%	0.4	22.7%	1	17.2%	9.5%	9.6%	26	46.4%	2
Northwest Industries	20.3	2	21.7	0.7	11.8	6	12.7	6.4	15.4	6	29.7	5
Gulf & Western Inds	20.1	3	16.4	1.1	8.2	20	9.0	4.2	14.2	9	24.3	8
White Consolidated	19.7	4	19.1	0.8	10.2	12	10.7	3.6	11.8	17	21.9	10
Ogden	19.6	5	18.0	1.1	8.9	17	9.5	3.1	8.0	30	28.4	6
Scott & Fetzer	19.3	6	22.4	0.3	17.8	3	16.0	7.5	13.3	13	7.7	25
Raytheon	19.2	7	22.9	0.1	20.6	2	16.8	4.6	12.8	14	19.6	12
Alco Standard	18.8	8	20.7	0.4	15.4	4	13.9	3.1	15.7	5	18.9	13
Lear Siegler	18.6	9	26.1	0.6	13.9	11	11.5	4.2	7.6	32	18.4	14
TRW	18.3	10	20.6	0.4	13.3	8	12.5	4.7	11.7	18	11.3	21
Avco	18.0	11	29.3	3.1	7.7	32	6.8	7.4	3.9	39	50.4	1
United Technologies	17.8	12	17.4	0.2	13.9	10	11.8	3.7	16.7	2	28.3	7
Tenneco	17.6	13	15.2	0.7	8.9	19	9.1	5.5	16.9	1	12.2	20
American Standard	17.5	14	24.8	0.5	16.5	9	11.9	4.9	3.7	40	D–P	
Chromalloy American	16.4	15	19.8	1.0	9.7	22	8.8	3.5	15.8	4	7.4	27
Textron	16.0	16	17.5	0.3	13.9	7	12.6	5.3	9.1	27	8.5	23
Dayco	15.7	17	16.9	1.5	8.1	31	7.2	2.5	8.4	29	8.4	24
National Svc Inds	15.6	18	17.7	0.1	14.9	5	13.2	5.2	7.5	33	4.6	33
Dart Industries	14.5	19	15.4	0.3	11.3	13	10.3	7.0	12.3	15	14.8	17
Signal Companies	14.0	20	17.0	0.4	11.5	14	9.9	4.2	12.1	16	38.2	3
W R Grace	13.9	21	12.7	0.6	8.8	16	9.7	3.8	11.5	19	17.3	15
Transamerica	13.1	22	19.3	0.9	11.7	24	8.4	5.7	10.3	24	14.7	18
Walter Kidde	13.1	23	14.1	0.6	8.7	21	8.8	3.8	10.3	22	21.8	11
Rockwell Intl	12.9	24	14.8	0.4	10.6	18	9.2	3.1	15.2	7	7.1	28
Sybron	12.4	25	11.9	0.4	9.3	15	9.8	4.4	9.9	25	7.6	26
A-T-O	11.8	26	12.5	1.0	7.3	28	7.7	2.3	6.9	35	15.3	16
AMF	11.6	27	13.2	0.6	9.2	25	8.1	3.5	7.9	31	–5.5	35
Amfac	11.3	28	11.3	0.7	7.7	29	7.6	2.7	16.0	3	6.5	29
Brunswick	11.3	29	12.0	0.5	9.5	23	8.7	4.3	11.0	21	5.4	30
SCM	10.9	30	10.4	0.5	7.5	27	7.8	2.3	8.8	28	31.9	4
IU International	10.8	31	9.3	1.1	6.5	30	7.3	2.8	13.5	12	5.1	31
Intl Tel & Tel	10.6	32	11.1	0.4	8.2	26	7.9	3.9	10.3	23	2.7	34
City Investing	10.0	33	19.0	1.0	8.7	34	6.2	3.1	11.4	20	4.9	32
Zapata	9.9	34	3.9	2.3	3.2	35	5.8	2.0	13.6	11	13.9	19
Whittaker	8.4	35	17.1	0.9	11.4	33	6.4	3.3	2.2	41	22.7	9
IC Industries	8.0	36	8.8	0.6	5.8	36	5.4	3.7	14.6	8	8.7	22
Fuqua Industries	5.6	37	13.0	0.9	7.4	39	4.7	1.7	14.1	10	–11.9	36
U S Industries	5.3	38	9.1	0.2	8.2	37	5.3	3.5	0.0	43	–16.8	38
Bangor Punta	5.2	39	19.8	0.9	10.3	38	4.9	3.7	5.6	37	D–P	
LTV	4.5	40	def	2.6	2.0	40	4.1	def	4.9	38	D–P	
Allied Products	2.9	41	0.9	1.2	3.0	41	3.6	0.2	6.0	36	–14.1	37
Litton Industries	def	42	def	0.8	def	42	1.0	def	7.1	34	P–D	39
Singer	def	43	16.8	0.8	11.2	44	def	3.1	1.1	42	P–D	39
National Kinney	def	44	def	3.9	1.5	43	0.1	def	–4.2‡	44	P–D	39
Industry Medians	**13.1**		**16.6**	**0.7**	**9.3**		**8.8**	**3.7**	**10.3**		**11.3**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

ote: Explanation of Yardstick calculations on page 40. ‡Four-year growth. P–D Profit to deficit. D–P Deficit to profit; not ranked. def Deficit.

good many companies received acquisition bids at premiums *over* book value. (In all cases the offering price was, of course, well above market price.) United Technologies recently offered $28 a share to holders of Carrier common at a time when its book value was about $17 a share and its market value was about $20 a share. Dart Industries, Inc. offered $51 a share to holders of P.R. Mallory & Co. common when its book value was about $28 a share and its market value about $29 a share. City Investing offered $52 a share to holders of Uarco stock with a book value of about $31 a share. Uarco common was trading at about $25 a share before Daylin first sought it for $42 a share.

Given the cost of starting from scratch in a new field, such bids often make good sense. Book value, after all, rarely equals replacement value. And if a company were to make a scratch start, says Donald P. Kelly, president and chief executive of Esmark, "I can tell you from experience that, whatever your estimates of plant investment, startup costs and construction periods are, they are probably too low. Secondly, launching a new product and obtaining significant market share is seldom easy." In contrast, Kelly says that when you acquire a firm, "you know the exact cost, you are in business right now, you know the market share and growth potential and you can reasonably project profit and loss capacity."

A decade ago, a good many firms

When you acquire a firm "you know the exact cost, you are in business right now, you know the market share and growth potential and you can reasonably project profit and loss."

didn't seem to care what they were buying so long as it provided a short-term hype to share earnings. Nowadays, there are signs that even the conglomerates are looking for a "good fit" when making acquisitions. International Telephone & Telegraph Corp., for example, which has gone as far afield in the past as Continental Bakers, now seems to be concentrating its acquisitions in th formation delivery" area. Last y bought Courier Terminal System of Phoenix for about $50 million an it may make one other acquisition field worth another $150 million. dustries, Inc., which manufactur supplies petroleum equipment an vices, agreed to buy the oil well ser business of Texas International C $101 million. Henry Derbyshire, tive vice president of Whittaker C conglomerate which bought 130 as companies between 1967 and 1 only to end up selling most of them says that the first question Whi asks these days about a potentia chase is, "What do we know abo business?" So, Whittaker has limit acquisition search to areas in whic already involved—"life sciences an cialty coatings and chemicals."

Other firms seem to be incr their holdings in existing invest rather than making new acquisi Thus, Tenneco Inc., which held a interest in Philadelphia Life Insu successfully tendered for the rest

Multicompanies—Multi-Industry
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales	Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Vulcan Materials	20.8%	1	22.3%	0.4	15.2%	3	14.5%	8.2%	12.6%	5	21.1%	6
Minn Mining & Mfg	19.4	2	23.1	0.2	19.5	1	16.9	11.7	13.0	4	9.9	19
General Electric	18.6	3	20.2	0.2	17.1	2	16.1	6.3	10.3	12	11.4	16
Koppers	17.4	4	15.2	0.3	11.6	4	12.6	4.6	15.1	2	22.4	5
Union Carbide	15.9	5	11.0	0.4	8.0	6	11.5	4.9	14.6	3	15.7	8
National Distillers	14.0	6	11.8	0.3	9.4	9	10.3	5.0	6.2	21	21.1	7
Martin Marietta	13.9	7	16.4	0.3	12.2	12	9.7	7.4	5.3	23	11.4	15
American Brands	13.7	8	15.5	0.4	10.9	11	9.8	3.7	8.5	18	5.4	22
Bendix	13.7	9	15.2	0.3	12.4	8	11.0	3.6	12.1	6	14.2	10
Sperry Rand	13.5	10	13.6	0.3	9.9	10	9.9	5.0	11.0	9	13.8	11
Eltra	13.5	11	13.0	0.2	10.7	7	11.0	4.7	10.5	10	11.1	18
Alleghany Corp	13.3	12	10.6	0.2	9.5	5	12.4	6.4	25.8	1	33.2	2
FMC	13.1	13	14.2	0.5	10.0	15	9.4	4.7	9.6	14	12.4	13
Genl Tire & Rubber	13.0	14	13.0	0.4	10.0	13	9.7	5.3	12.0	7	11.8	14
Esmark	12.6	15	9.9	0.6	6.8	16	9.1	1.3	9.1	16	14.9	9
Olin Corp	11.8	16	8.8	0.4	6.6	17	9.0	3.8	10.3	11	114.7	1
N L Industries	11.6	17	11.3	0.3	8.7	18	8.8	4.3	8.1	19	7.8	21
PPG Industries	11.5	18	9.8	0.4	7.7	19	8.7	3.9	11.7	8	11.2	17
Borg-Warner	10.8	19	14.5	0.2	12.7	14	9.6	5.7	9.1	17	8.3	20
Allis-Chalmers	10.5	20	13.5	0.3	10.5	21	8.2	4.4	9.7	13	30.7	3
Westinghouse Elec	9.5	21	13.1	0.2	11.1	23	7.7	4.6	5.6	22	3.4	23
Sperry & Hutchinson	8.6	22	11.0	0.2	9.5	22	8.1	3.6	2.9	25	–8.1	24
Curtiss-Wright	7.9	23	7.3	0.0	7.4	20	8.2	5.0	3.5	24	29.4	4
Dillingham	6.1	24	def	0.9	1.1	24	4.4	def	9.5	15	13.3	12
GAF	2.6	25	3.7	0.6	3.8	25	3.1	1.3	7.2	20	–15.0	25
Industry Medians	**13.1**		**13.0**	**0.3**	**10.0**		**9.7**	**4.7**	**9.7**		**12.4**	
All-industry Medians	**13.9**		**15.4**	**0.4**	**10.5**		**10.2**	**5.0**	**12.9**		**12.6**	

Note: Explanation of Yardstick calculations on page 40. def Deficit.

In 1872, an ambitious young carpenter got his start in Cleveland. His international company is still thriving there, today.

It was April. Young Samuel Austin was headed for America. He had left his job in Grantham, England, taking only his carpenter's tools.

Later, he wrote: "We had heard that large numbers of men were needed to rebuild Chicago after The Great Fire. Some of us had agreed to leave for America, but when the time came to depart, all the others backed out. I decided to go alone."

Just over a decade later, in Cleveland instead of Chicago, Austin had already built the workshop shown in the left of the photo below. Located directly behind his residence at the right, it supplied doors and sash for his growing construction business.

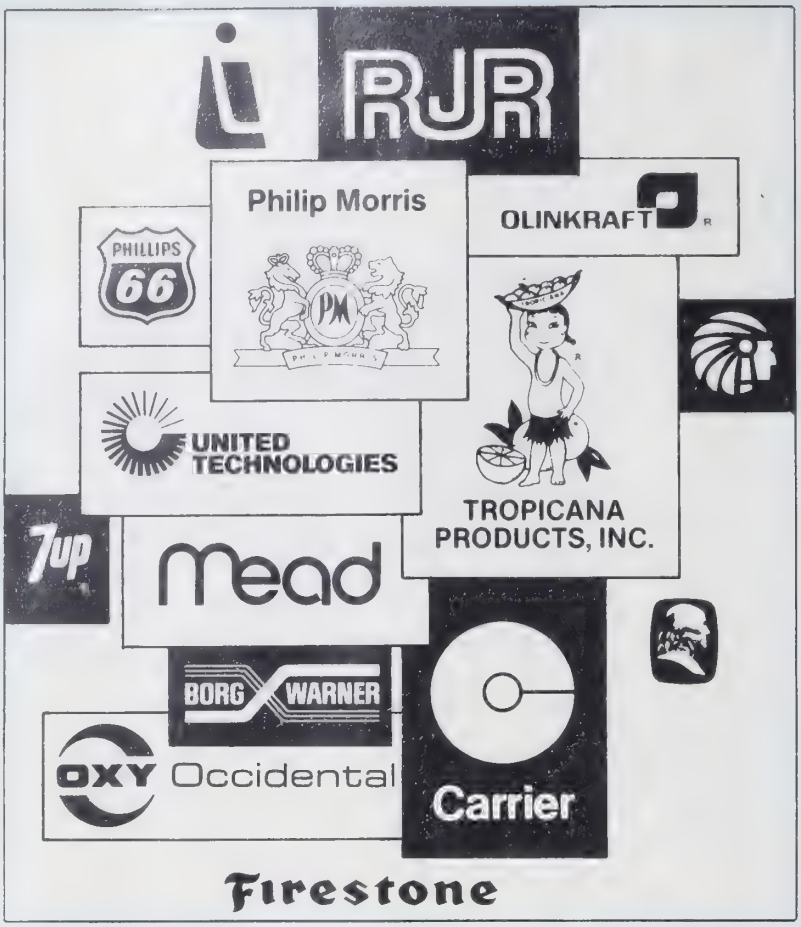
Today, The Austin Company is an international organization with design, engineering and construction experience that encompasses virtually every type of commercial, industrial and institutional facility. The company's offices throughout the world combine local purchasing, hiring and sensitivity with international scope and expertise.

Austin offers a full range of services—from consulting through interior furnishing—all provided with undivided responsibility. For more information, contact The Austin Company, Cleveland, Ohio, 44121.

One current project, above, is an aircraft manufacturing, maintenance and overhaul base near Athens, Greece, designed and under construction for Hellenic Aerospace Industries.

THE AUSTIN COMPANY

DESIGNERS • ENGINEERS • BUILDERS



Super deals of the year

Below, the largest mergers and acquisitions planned or completed in 1978

Acquiring company	Acquired company	Price (millions)
Borg-Warner*	Firestone	$1,327
Chessie	Seaboard Coastline	1,038
Occidental Petroleum	Mead	998
R.J. Reynolds	Del Monte	584
Johns-Manville	Olinkraft	581
Petro-Canada	Phillips Petroleum**	572
Philip Morris	Seven-Up	516
Beatrice Foods	Tropicana Products	489
United Technologies	Carrier†	476
American Brands	Franklin Life Insurance††	465

** Borg-Warner and Firestone to be merged into new holding company. ** Petro-Canada's purchase was of Phillips' 48% interest in Pacific Petroleums Ltd † Tender for 49% †† Remaining 72.5%.*
Source: W.T. Grimm & Co.

stock and made it a wholly owned
sidiary; IU International merge
Brewer & Co., which was a 54% su
iary, into the parent; Gulf & We
Industries Inc. increased its holdin
Jonathan Logan Inc. and Simmons
Union Carbide Corp. increased its
of Gulf Coast Olefins Co. to 100%
50%; and Teledyne increased its
ings in Litton from 22% to 27%.

Higher interest rates and the n
veiled threat of increased interve
by the Justice Department's Ant
division could slow the merger pa
1979. Lazard Frères' master m
maker, Felix G. Rohatyn, has sugg
that there's a possibility Federal Re
in an effort to further tighten c
might try to restrict bankers fr
nancing takeovers. Such a move
make takeovers more difficult
companies would have to rely
heavily on stock and long-term debt
cash when making acquisition offe

Nonetheless, there are many re
for thinking that multicompanies
other firms—notably the oil ma
will continue to seek mergers and a
sitions. Even if high interest rates
it more expensive to finance take
they also tend to drive down the m
price of many target companies' st
"A stock trading at six times ear
gives a pretax yield of 33⅓% if the
pany pays an overall tax rate of 5
Oppenheimer's Weinger reasons. A
rate, "It really doesn't matter if I'm
ing 9% or 11% interest."

In addition, any falloff in merger
among U.S. firms is likely to be off
foreign purchasers, who continu
show a strong interest in acquirin
firms. W.T. Grimm & Co. estimate
there were 176 acquisitions by forei
in the first 11 months of 1978, com
with 162 such purchases in all of
Says Johnston F. Northrop, a f
merger and acquisition specialist a
rill Lynch White Weld who now do
same thing for Security Pacific
"The Europeans have a subst
amount of excess cash and borr
capacity and they are attracted b
stock prices here. The low value
dollar compared with their curr
and the relative political stability
U.S. only add to their interest."

But perhaps the most compellin
son for thinking the current merge
is likely to continue comes from
companies that are most likely t
themselves on the receiving end
takeover attempt. A recent survey
National Association of Accou
showed that about 40% of Am
largest industrial companies co
themselves vulnerable to a takeov
that only 45% of those firms hav
kind of formal plan to protect them
from an unfriendly takeover. No w
the merger game seems so attracti

he Working Trees: lass of 2020.

ıe time the seedlings in our tree nursery ome productive "working trees," America equire more than twice the wood fiber es today.

Since doubling our land resource is ally impossible, Potlatch has turned to r means to satisfy future demand.

One of the ways we plan to increase s is through genetically-improved trees.

Many seedlings in our nursery originate "parents" significantly superior in ıin desirable characteristics. Such traits ıe combined and enhanced through ıg and crossbreeding.

Our objective is to develop trees with r growth rates, fiber quality and insect disease resistance.

A better class of working trees will us get the most out of the land under our uctive control.

Potlatch Corporation, Public Information e, P.O. Box 3591, San Francisco, CA 94119.

Potlatch

We grow the working trees.

How do the middle-ranking companies in each of the 30 main industry groups compare in terms of growth and profitability?

Who's where in the industry groups

A USEFUL EXERCISE that seasoned investors sometimes put themselves through at year-end is to ask themselves what industries they'd like to see represented in their portfolios in the year ahead. Not what companies they want—that's the next question—but first, what *industries* they want. Asking so apparently fundamental a question before comparing individual stocks can sometimes raise provocative insights.

Did you realize, for example, that for the past five years the building equipment industry has shown a higher return on capital (16.2%) than, say, the toiletries and cosmetics industry (15.1%)? Or that the aging shoe industry, so vociferous in crying for protection from foreign competition, has made nearly as much on invested capital (12.7%) over the past five years as the booming computer industry (12.8%)—although granted shoes only rose one percentage point last year as opposed to nearly three percentage points for data processing?

Those are the kinds of insights that the broad overview yardsticks below are designed to give. Here FORBES ranks the median or middle-ranking companies in all 30 major groupings and subgroupings of American industry in just the same manner as the 1,006 separate companies are ranked elsewhere in this issue. We then break those groupings down even further into 82 separate industries within the main groups—showing, for example, separate numbers for five distinct areas of the industrial equipment industries. The results show what industries are the most profitable, which have the fastest earnings growth and which have the most promising trends in the latest 12 months. We use median numbers rather than average numbers to avoid having bonanza earnings or staggering losses at the top or bottom of any industry distort the results. These medians are simply that—the track record made by companies in the middle of a group.

Without looking at the table first, do you think you can guess what industry showed the highest return on capital for the latest 12-month period? If you pic the booming entertainment indu (16.9%), you're way off. It wasn't that standby ethical drugs (18.6%) eit And the bullish aerospace busi (13.9%) wasn't even close. The answ the fire and casualty business with impressive 24.3%. But don't expe repeat. Take a look to the right at five-year average in that indu (14.1%) and you'll see a perfect exam of what they call a cyclical industry.

Let's take an easier one. What indu has shown the fastest earnings gro over the past five years? No, it certa wasn't aerospace (25.8%) or compu (23.5%). You were close if you pic food service (26.1%) or the more obvi mining and drilling equipment (30.6 But the answer in fact is heavy consti tion, which has turned in a stunn 32.5% growth in per-share earni since the oil embargo.

At the bottom end of the table, s gloomier thoughts come to mind. pretty clear that the heavy hand of g ernment regulation isn't permitt most utilities to keep pace with inflat in terms of return on capital. So country is just running down its inv ment in that industry and if we keep t up for long the next generation w thank us. The steel industry may be most profitable in the industriali world at the moment, thanks to tr barriers, but its return on capital ha kept pace with inflation for years. I haps the saddest story is the railro beggared for generations by the gov ment while truckers got a free ride highways paved with taxpayers' gold.

Industry Medians:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital			Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Personal Products	**18.5%**	**1**	**19.1%**	**0.4**	**13.4%**	**1**	**13.6%**	**6.3%**	**15.3%**	**7**	**10.8%**	**20**
Tobacco	17.2	—	17.7	0.7	10.7	—	9.1	4.8	12.1	—	7.7	—
Toiletries & Cosmetics	18.5	—	19.1	0.2	14.9	—	15.1	7.3	15.3	—	11.0	—
Aerospace & Defense	**17.8**	**2**	**21.5**	**0.2**	**13.9**	**11**	**11.2**	**3.9**	**10.1**	**27**	**25.8**	**1**
Information Processing	**17.6**	**3**	**18.2**	**0.4**	**14.9**	**6**	**12.2**	**6.8**	**14.5**	**9**	**14.3**	**11**
Computers	17.7	—	21.0	0.4	15.5	—	12.8	8.4	14.5	—	23.5	—
Copiers & Office Equipment	15.8	—	18.0	0.4	14.1	—	11.1	5.3	14.3	—	7.7	—
Leisure	**17.1**	**4**	**18.4**	**0.3**	**13.6**	**5**	**12.4**	**5.2**	**12.4**	**17**	**13.8**	**13**
Travel	14.2	—	17.8	0.9	9.6	—	6.9	4.8	15.7	—	11.0	—
Entertainment	19.6	—	24.1	0.4	16.9	—	14.4	10.1	12.3	—	16.2	—
Recreation	11.5	—	13.9	0.3	12.1	—	10.3	3.6	11.2	—	5.4	—
Publishing	17.1	—	19.9	0.1	16.2	—	13.9	7.9	12.4	—	13.8	—
Food Service	23.6	—	15.0	0.8	12.2	—	14.0	4.4	27.9	—	26.1	—

Note: Explanation of Yardstick calculations on page 40.

Industry Medians:
Yardsticks of Management Performance

	Profitability								Growth			
	Return on Equity				Return on Total Capital				Sales		Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Health Care	**16.6%**	**5**	**18.2%**	**0.3**	**13.4%**	**1**	**13.6%**	**8.2%**	**13.8%**	**11**	**13.0%**	**14**
Ethical Drugs	20.2	—	22.0	0.3	18.6	—	18.1	11.9	13.6	—	12.8	—
Proprietary Drugs	16.6	—	16.3	0.2	13.4	—	14.5	7.4	11.8	—	8.6	—
Products & Services	15.7	—	17.7	0.4	12.3	—	11.6	6.4	19.8	—	17.5	—
Electronics & Electrical Equipment	**16.3**	**6**	**18.3**	**0.2**	**13.9**	**8**	**11.6**	**5.8**	**11.8**	**23**	**15.8**	**7**
Electronic Equipment	14.0	—	16.5	0.3	13.8	—	11.1	5.6	11.5	—	18.6	—
Electrical Equipment	19.4	—	19.9	0.2	16.5	—	16.1	6.1	12.8	—	12.5	—
Energy	**16.1**	**7**	**13.3**	**0.4**	**8.3**	**9**	**11.3**	**4.1**	**22.9**	**1**	**17.3**	**3**
International Oils	15.1	—	13.1	0.3	9.8	—	11.6	3.9	19.9	—	10.7	—
Other Oil & Gas	16.1	—	14.5	0.5	8.9	—	10.8	4.5	24.3	—	18.9	—
Coal	18.9	—	1.0	0.3	1.6	—	13.0	0.7	19.7	—	23.0	—
Wholesalers	**16.1**	**7**	**15.1**	**0.6**	**10.8**	**4**	**12.5**	**1.2**	**16.3**	**4**	**14.5**	**9**
Food Distributors	16.5	—	14.6	0.6	10.8	—	12.7	0.9	16.3	—	13.8	—
Other Wholesalers	15.9	—	15.2	0.5	10.8	—	11.2	2.0	13.5	—	15.0	—
Chemicals	**15.9**	**9**	**16.0**	**0.5**	**10.5**	**9**	**11.3**	**5.8**	**14.9**	**8**	**16.4**	**5**
Diversified Chemicals	13.9	—	11.7	0.5	8.5	—	10.0	4.9	13.9	—	15.7	—
Specialists	16.8	—	16.8	0.5	11.4	—	11.7	6.3	16.4	—	17.0	—
Construction—Contractors	**15.7**	**10**	**15.4**	**0.4**	**10.8**	**12**	**11.0**	**3.0**	**16.8**	**2**	**23.0**	**2**
Heavy Construction	18.5	—	14.0	0.4	11.0	—	11.2	2.5	18.0	—	32.5	—
Home Building	10.1	—	19.2	0.6	9.2	—	7.6	4.0	14.9	—	7.7	—
Industrial Equipment	**15.1**	**11**	**17.0**	**0.3**	**13.4**	**7**	**12.0**	**5.8**	**13.3**	**12**	**14.5**	**9**
Production Equipment	16.6	—	17.2	0.3	13.2	—	12.3	5.8	10.9	—	14.5	—
cialty Equip & Materials	14.3	—	16.0	0.3	13.4	—	12.3	5.7	13.9	—	13.3	—
onstruc & Matrls Hndlng	14.7	—	12.8	0.5	9.6	—	10.6	4.5	12.4	—	15.8	—
Mining & Drilling Equip	18.2	—	18.7	0.3	14.0	—	14.8	8.4	21.3	—	30.6	—
Rail Equipment	13.1	—	14.5	0.6	7.1	—	7.4	4.9	12.7	—	10.0	—
Forest Products & Packaging	**14.9**	**12**	**14.1**	**0.5**	**9.7**	**14**	**10.4**	**5.1**	**12.6**	**16**	**16.0**	**6**
Forest Products	15.9	—	15.0	0.5	10.1	—	10.7	6.2	13.3	—	17.2	—
Packaging	13.0	—	12.7	0.4	9.1	—	10.1	3.8	12.2	—	12.7	—
Utilities—Natural Gas	**14.9**	**12**	**14.6**	**0.8**	**7.8**	**26**	**7.7**	**6.1**	**15.6**	**5**	**9.2**	**23**
Producers & Pipeliners	15.4	—	14.4	0.8	7.5	—	7.8	5.8	16.3	—	9.5	—
ipeliners & Distributors	17.1	—	15.8	0.8	8.4	—	8.2	6.7	19.2	—	12.7	—
Distributors	11.9	—	13.1	0.9	7.2	—	6.7	4.7	14.5	—	4.1	—
Food & Drink	**14.6**	**14**	**13.8**	**0.4**	**10.3**	**13**	**10.5**	**3.0**	**13.1**	**13**	**10.2**	**21**
Diversified Foods	14.7	—	15.2	0.4	11.6	—	10.8	3.5	11.7	—	10.5	—
Meatpackers	12.6	—	9.9	0.5	7.0	—	9.7	1.3	10.1	—	8.7	—
gricultural Commodities	15.4	—	12.3	0.5	10.1	—	10.1	2.2	16.2	—	16.8	—
Other Food Specialists	16.7	—	16.4	0.4	11.9	—	12.2	3.5	13.2	—	14.5	—
Drinks	13.8	—	12.2	0.3	9.7	—	10.0	5.0	13.1	—	6.4	—
Finance—Insurance	**14.0**	**15**	**20.3**	**0.1**	**18.2**	**3**	**13.2**	**9.6**	**12.3**	**18**	**12.7**	**15**
Life	12.9	—	15.0	0.1	14.1	—	12.7	12.1	9.6	—	11.6	—
Fire & Casualty	15.2	—	25.4	0.1	24.3	—	14.1	8.9	12.9	—	13.0	—
Multiple Line	15.0	—	20.8	0.1	18.3	—	12.0	8.2	12.6	—	15.8	—
Automotive	**13.7**	**16**	**15.3**	**0.4**	**11.5**	**16**	**10.0**	**4.2**	**11.9**	**21**	**8.4**	**25**
Vehicles	13.9	—	17.0	0.4	11.7	—	10.2	4.2	12.2	—	8.2	—
Tire & Rubber	7.3	—	7.4	0.5	6.1	—	5.8	2.5	9.8	—	2.8	—
Auto Supplies	14.4	—	15.5	0.3	12.4	—	10.7	4.5	12.1	—	10.6	—

ote: Explanation of Yardstick calculations on page 40.

Industry Medians:
Yardsticks of Management Performance

	Profitability							Growth			
	Return on Equity				Return on Total Capital				Sales	Earnings Per Share	
company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Finance—Consumer Finance	**13.4%**	**17**	**16.9%**	**0.4**	**10.8%**	**25**	**7.9%**	**6.2%**	**13.1%**	**13**	**12.0%**	**17**
Finance Companies	12.0	—	10.8	2.0	6.0	—	5.9	4.1	9.2	—	2.4	—
Financial Services	14.0	—	17.8	0.4	12.0	—	10.7	6.5	14.2	—	14.3	—
Supermarkets	**13.3**	**18**	**13.0**	**0.6**	**9.5**	**20**	**8.8**	**0.9**	**12.1**	**19**	**11.3**	**18**
Major Chains	11.9	—	14.3	0.6	9.8	—	8.1	0.9	10.9	—	9.8	—
Regional Chains	13.8	—	12.5	0.5	9.5	—	9.2	1.0	12.8	—	12.9	—
Multicompanies—Conglomerates	**13.1**	**19**	**16.6**	**0.7**	**9.3**	**20**	**8.8**	**3.7**	**10.3**	**26**	**11.3**	**18**
Multicompanies—Multi-Industry	**13.1**	**19**	**13.0**	**0.3**	**10.0**	**17**	**9.7**	**4.7**	**9.7**	**28**	**12.4**	**16**
Household Products	**13.0**	**21**	**15.9**	**0.3**	**11.2**	**19**	**9.2**	**4.1**	**8.3**	**30**	**5.6**	**28**
Appliances	8.4	—	14.6	0.4	11.2	—	7.6	4.2	7.3	—	2.1	—
Housewares & Furnishings	13.5	—	15.4	0.4	10.1	—	8.9	4.3	9.7	—	9.3	—
Housekeeping Products	17.7	—	16.6	0.2	13.9	—	14.0	4.1	16.3	—	10.2	—
Retail Distribution	**12.7**	**22**	**14.4**	**0.4**	**10.5**	**18**	**9.4**	**2.9**	**11.8**	**23**	**7.3**	**27**
Department Stores	12.2	—	13.1	0.4	8.9	—	8.5	3.1	8.8	—	7.3	—
Discount & Variety Stores	9.9	—	11.0	0.4	7.0	—	7.3	1.3	11.9	—	2.6	—
Drug Chains	17.1	—	17.3	0.3	13.1	—	14.5	2.3	16.2	—	17.3	—
Specialty Retailers	15.0	—	16.2	0.4	12.8	—	12.1	3.7	12.9	—	9.5	—
Finance—Banks	**12.5**	**23**	**13.2**	**0.4**	**10.3**	**14**	**10.4**	**7.6**	**15.4**	**6**	**8.1**	**26**
New York Banks	12.0	—	11.7	0.5	9.0	—	9.3	6.3	19.4	—	6.1	—
Regional Banks	12.5	—	13.5	0.4	11.6	—	10.5	8.2	15.3	—	8.3	—
Construction—Building Materials	**11.7**	**24**	**16.3**	**0.4**	**11.7**	**22**	**8.7**	**5.4**	**11.9**	**21**	**8.7**	**24**
Lumber	15.0	—	15.6	0.5	11.2	—	9.6	6.1	14.8	—	10.4	—
Cement & Gypsum	10.6	—	16.1	0.4	11.8	—	8.3	6.3	11.8	—	7.1	—
Other Building Materials	11.5	—	15.2	0.3	10.4	—	8.7	4.8	10.3	—	6.6	—
Building Equipment	19.2	—	20.4	0.3	15.9	—	16.2	5.7	13.0	—	15.6	—
Utilities—Electric & Telephone	**11.5**	**25**	**12.3**	**1.0**	**6.5**	**29**	**6.2**	**10.9**	**16.5**	**3**	**2.3**	**30**
Northeast	10.9	—	11.5	1.0	6.4	—	6.0	10.8	16.0	—	2.8	—
Midwest	11.5	—	11.3	1.0	6.3	—	6.1	10.6	16.2	—	0.2	—
Southeast	11.7	—	13.2	1.0	6.7	—	5.9	12.7	20.1	—	3.2	—
Southwest	13.3	—	13.7	1.0	7.2	—	7.2	11.8	18.9	—	5.2	—
West	11.3	—	10.8	1.0	6.6	—	6.5	11.7	17.6	—	1.8	—
Telecommunications	12.4	—	13.8	1.0	7.3	—	6.7	11.2	11.5	—	6.5	—
Transportation—Surface	**11.2**	**26**	**11.9**	**0.6**	**6.7**	**28**	**6.5**	**4.8**	**12.1**	**19**	**14.7**	**8**
Railroads	8.0	—	8.4	0.6	5.1	—	5.3	4.8	9.2	—	13.6	—
Truckers	21.6	—	22.0	0.5	10.7	—	13.1	4.7	16.4	—	18.4	—
Other Transportation	17.8	—	16.2	0.7	7.0	—	10.0	4.7	15.4	—	28.0	—
Metals	**11.1**	**27**	**9.4**	**0.5**	**5.8**	**27**	**7.5**	**3.5**	**13.1**	**13**	**9.4**	**22**
Aluminum	11.0	—	15.2	0.7	9.3	—	7.3	6.4	13.2	—	16.2	—
Copper	5.6	—	9.6	0.6	4.7	—	5.2	2.8	5.8	—	—9.5	—
Diversified Metals	16.5	—	5.6	0.5	4.6	—	12.2	2.8	16.4	—	10.5	—
Steel	**11.1**	**27**	**8.9**	**0.5**	**6.7**	**24**	**8.4**	**2.9**	**11.8**	**23**	**13.9**	**12**
Basic Producers	8.0	—	6.5	0.5	5.0	—	6.2	2.6	11.6	—	12.0	—
Specialty & Other Steels	13.7	—	12.5	0.4	9.0	—	10.8	3.2	12.0	—	17.0	—
Apparel	**11.0**	**29**	**13.3**	**0.3**	**9.4**	**22**	**8.7**	**3.0**	**9.1**	**29**	**5.4**	**29**
Apparel	7.3	—	13.7	0.3	9.4	—	6.6	2.9	7.2	—	3.8	—
Textiles	8.9	—	8.3	0.3	6.3	—	7.0	2.9	9.0	—	7.9	—
Shoes	17.3	—	17.9	0.4	13.7	—	12.7	3.9	10.8	—	16.3	—
Transportation—Air	**10.5**	**30**	**21.5**	**0.9**	**10.5**	**30**	**5.9**	**5.4**	**14.0**	**10**	**17.0**	**4**
All-Industry Medians	**13.9**	**—**	**15.4**	**0.4**	**10.5**	**—**	**10.2**	**5.0**	**12.9**	**—**	**12.6**	**—**

Note: Explanation of Yardstick calculations on page 40.

There are over 44,000 ways in which Crouse-Hinds shows its concern for electrical product safety.

If you were to ask architects, contractors, designers, engineers and users of commercial and industrial electrical systems, "What company in the electrical manufacturing industry shows the most concern for safety of electrical product applications?" we're confident that many would answer "Crouse-Hinds."

That's because the safety we strive to build into our over 44,000 domestic products has won international recognition in many industrial and commercial applications. From the best to the worst environments.

It's also because our dedicated staff of code specialists has become known as industry experts at understanding hundreds of electrical safety codes around the world.

But, our reputation rests mostly on the products themselves. Crouse-Hinds products are constantly being proven in demanding, long term installations worldwide. In fact, we believe we have more electrical products *safely* at work than anybody else, not only in clean, but also in wet, damp, dirty, dusty, corrosive and otherwise abusive environments. Only a company with a long history of commitment to product safety could make that statement.

The Crouse-Hinds family of electrical products: Cable and conduit fittings • Plugs and receptacles • Enclosures • Industrial lighting • Outdoor lighting • Aviation lighting • Traffic signals and control systems • Wiring devices • Industrial controls • Specialty switches • Secondary electrical distribution assemblies • Safety switches • Circuit breakers • Meter mounts • Electrical control devices • Stampings • Castings • Coils and transformers.

For more information about the company that's concerned about product safety in over 44,000 different ways, write: Crouse-Hinds Company.

CROUSE-HINDS®

CROUSE-HINDS COMPANY

P.O. Box 4999, Syracuse, N.Y. 13221.

How do they rank in terms of return on stockholders' equity and return on total capital—stockholders' equity plus long-term debt?

Who's where in profitability

THE MOST OBVIOUS and also the most hard-nosed measure of how well a company is performing is how profitable it is relative to other companies over time. To gauge this by looking solely at how much a company earns as a percentage of stockholders' equity, however, can occasionally be misleading. If a company has had significant losses in the recent past, for example, stockholders' equity will be much smaller—so recovering earnings, as a percentage of that smaller base, will appear unusually high. But you can tell which companies these are by looking at return on total capital: equity plus long-term obligations.

For example, first-ranked Lockh whose equity was decimated by writeoffs on the TriStar program, s a lowly 650th on five-year return on ital. Second-ranked Columbia Pict despite two outstanding years w have brought its debt-to-equity back to normal, still has inflated year return-on-equity figures from losses—as its 180th ranking in five return on capital suggests.

Beyond such statistical extremes getting down to basics, the most p able major corporation of the top 1 surveyed by FORBES was once again ery Air Freight, sixth in return on e but first in return on capital—and n two full percentage points higher i latest 12 months. Another debt money machine, semiconductor pr er Intel, comes a close second—exce the latest 12 months, when the com was unable to sustain the pace. ■

Who's Where In Profitability

	Return On Equity			Return On Capital				Return On Equity			Return On Capital		
company	5-year* average	rank	latest 12 months	5-year* average	rank	latest 12 months	company	5-year* average	rank	latest 12 months	5-year* average	rank	latest 12 mont
Lockheed	56.5%	1	25.8%	8.2%	650	10.7%	American Intl Group	26.8%	41	24.5%	24.8%	19	24.7
Columbia Pictures	50.5	2	57.0	14.9	180	34.7	Gulf Resources & Chem	26.7	42	5.9	14.2	216	4.8
Computer Sciences	41.6	3	37.3	14.1	223	17.2	Sambo's Restaurants	26.5	43	15.0	22.7	32	8.3
Farm House Foods	40.3	4	16.2	17.8	85	7.0	Melville	26.4	44	27.5	24.0	22	25.9
Service Merchandise	37.3	5	30.4	26.5	10	23.5	Entex	26.3	45	30.8	12.6	312	15.1
Emery Air Freight	36.9	6	38.6	36.6	1	38.4	Pioneer Hi-Bred Intl	26.3	46	18.1	25.4	17	16.9
Intel	35.9	7	25.1	35.6	2	24.4	Dow Chemical	26.3	47	17.4	15.9	138	10.5
Tandy	35.9	8	52.2	27.7	8	23.4	Engelhard Minerals	26.3	47	17.9	20.3	55	15.2
Cal-Maine Foods	33.3	9	def	12.4	319	0.4	MGM	26.3	49	30.8	15.4	160	16.9
Earth Resources	33.3	10	18.0	22.4	35	12.2	Schering-Plough	26.2	50	23.3	25.6	15	22.6
Mattel	33.3	10	19.8	14.7	192	16.5	Yellow Freight System	26.1	51	22.0	17.4	92	16.4
MAPCO	32.2	12	22.7	15.8	142	11.8	Diamond Shamrock	25.9	52	18.5	14.6	196	10.1
American Home Prods	31.5	13	32.4	30.7	3	31.6	McDonald's	25.7	53	24.2	14.2	218	13.0
Westmoreland Coal	31.4	14	0.7	26.4	11	0.6	MCA	25.6	54	24.1	23.2	27	22.3
Parsons	31.1	15	31.2	21.7	39	23.1	SmithKline Corp	25.5	55	34.8	21.2	42	28.6
Marsh & McLennan	31.0	16	32.3	30.4	4	32.4	Maytag	25.3	56	24.9	24.8	18	24.0
Levi Strauss	31.0	17	29.5	25.7	13	25.8	Dillon Companies	25.2	57	24.5	20.7	47	20.6
Avon Products	30.4	18	32.9	29.2	6	32.0	Franklin Mint	25.1	58	7.3	20.9	46	5.8
Pittston	30.3	19	1.2	22.6	34	1.4	Lubrizol	25.1	59	27.3	23.7	23	25.6
Petrie Stores	30.2	20	30.1	30.2	5	30.1	Cameron Iron Works	24.9	60	20.1	14.8	186	13.3
Pioneer Corp	30.0	21	23.2	14.2	218	12.5	Reliance Electric	24.9	61	23.8	16.5	112	17.6
Colonial Penn Group	29.7	22	25.9	28.9	7	26.0	Beech Aircraft	24.8	62	28.1	18.7	71	22.8
Teledyne	29.4	23	34.0	17.2	95	22.7	Baker International	24.8	63	23.9	17.5	91	17.1
Schlumberger	29.4	24	30.6	26.6	9	29.2	Athlone Industries	24.6	64	22.4	10.9	427	10.5
Intl Minerals & Chem	29.3	25	16.5	17.6	89	11.4	Tyler	24.6	65	22.5	14.9	178	16.9
Missouri Pacific Corp	29.3	26	25.2	9.5	552	11.1	Natomas	24.6	66	19.6	16.4	119	15.0
Natl Semiconductor	29.1	27	21.4	23.3	25	16.4	Data General	24.5	67	26.1	24.5	20	20.8
Louisiana Land	28.6	28	20.3	22.2	36	16.0	Super Valu Stores	24.5	68	26.6	16.2	125	16.9
Dow Jones	28.4	29	31.8	26.3	12	30.2	Roadway Express	24.5	69	21.6	23.1	28	20.5
J Ray McDermott	28.4	30	16.3	20.6	49	9.4	Halliburton	24.4	70	23.5	19.7	60	18.9
Wal-Mart Stores	28.3	31	26.5	22.0	38	20.2	Petrolane	24.3	71	21.7	15.8	142	15.6
Coachmen Industries	28.1	32	18.1	25.6	14	16.6	Handy & Harman	24.1	72	18.1	16.0	134	12.2
Texas Oil & Gas	27.8	33	27.6	15.6	152	15.2	Iowa Beef Processors	24.0	73	19.8	16.3	122	15.8
Houston Natural Gas	27.7	34	23.9	14.5	201	14.4	Blue Bell	24.0	74	19.7	19.7	59	16.5
Kellogg	27.6	35	26.2	23.6	24	21.8	Leaseway Transportn	24.0	75	24.3	9.7	535	10.6
Fort Howard Paper	27.4	36	23.1	25.6	16	17.8	Edison Bros Stores	23.8	76	25.8	19.6	61	20.4
Utd Energy Resources	27.0	37	25.6	13.6	248	16.4	CBS	23.8	77	24.0	19.9	58	21.0
Niagara Frontier Svc	26.9	38	22.6	23.2	26	18.0	Cooper Industries	23.8	77	26.2	16.4	118	19.8
Merck	26.9	39	23.3	24.2	21	20.5	Albertson's	23.8	79	28.0	15.3	163	14.6
Sigmor	26.9	39	14.0	22.7	31	9.3	Tosco	23.7	80	35.6	8.3	640	8.1

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables. def Deficit.

Who's Where In Profitability

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 months
Masco	23.6%	81	21.7%	16.4%	116	15.8%
Smith International	23.6	81	21.7	18.5	77	18.9
Dover Corp	23.6	83	23.0	19.1	63	19.6
Modern Merchandising	23.6	83	22.1	19.1	65	13.0
Denny's	23.6	85	23.0	14.0	226	12.2
Nalco Chemical	23.5	86	17.4	22.6	33	16.6
Rollins Inc	23.4	87	19.8	17.6	90	16.4
Coca-Cola	23.3	88	23.6	22.1	37	22.2
Crane	23.3	89	11.0	12.7	301	7.0
Lucky Stores	23.1	90	24.9	16.2	126	17.7
Fluor	23.0	91	20.5	21.5	41	17.8
Longs Drug Stores	22.9	92	20.9	23.0	29	20.9
NVF	22.8	93	16.9	14.1	222	13.1
Washington Post	22.8	94	33.2	16.5	113	25.9
Dun & Bradstreet Cos	22.7	95	25.1	22.8	30	26.1
Twentieth Century-Fox	22.7	95	35.4	16.2	126	26.2
UV Industries	22.6	97	22.7	10.9	426	10.8
Itel	22.5	98	26.2	8.8	598	8.5
Intl Flavors & Frag	22.5	99	24.8	21.1	43	22.8
Belco Petroleum	22.5	100	22.9	15.7	147	17.6
Ashland Oil	22.4	101	28.5	12.6	313	15.0
E-Systems	22.3	102	21.2	18.8	68	19.6
Bristol-Myers	22.3	103	21.4	20.0	57	19.8
Bird & Son	22.3	104	17.4	20.2	56	16.1
Philip Morris	22.2	105	23.1	13.6	248	13.4
Caterpillar Tractor	22.1	106	22.3	16.5	111	16.5
Square D	22.1	106	24.8	18.6	74	20.3
AMP	21.9	108	27.2	19.0	67	22.6
Briggs & Stratton	21.9	109	23.9	21.7	40	23.4
Combined Insurance	21.9	110	20.9	21.0	44	20.5
Best Products	21.7	111	30.1	18.6	73	22.0
Hoover Universal	21.7	112	26.0	16.7	106	20.1
Eli Lilly	21.6	113	21.6	20.9	45	20.6
Farmers Group	21.6	114	18.9	20.4	51	18.3
Consol Freightways	21.6	115	23.6	16.2	126	19.1
Winn-Dixie Stores	21.6	115	21.5	20.4	53	18.2
Stauffer Chemical	21.6	117	18.4	15.1	173	12.1
Ametek	21.4	118	21.4	16.9	104	16.5
Flowers Industries	21.4	119	20.0	12.2	337	12.2
Echlin Manufacturing	21.3	120	21.4	15.0	177	15.8
St Joe Minerals	21.3	121	7.8	17.1	98	6.4
Santa Fe Intl	21.3	122	16.1	12.5	314	9.7
Chic & North Western	21.2	123	21.5	5.2	895	5.7
Oklahoma Natural Gas	21.2	123	23.7	11.3	398	12.9
IBM	21.2	125	23.1	20.4	53	22.4
Bruno's	21.1	126	25.4	13.9	235	15.2
R J Reynolds Inds	21.1	126	19.9	14.9	182	14.0
Revlon	21.1	128	22.2	15.5	154	17.3
Caldor	21.1	129	22.7	17.2	96	15.2
Idle Wild Foods	21.1	129	26.8	17.0	99	21.6
Dresser Industries	21.0	131	19.1	15.6	153	14.3
Union Camp	20.9	132	16.2	13.8	241	11.5
Pennzoil	20.9	133	15.6	9.1	583	7.4
Ohio Casualty	20.9	134	30.2	20.4	52	29.4
Lowe's Companies	20.8	135	21.7	15.7	149	16.3
Vulcan Materials	20.8	136	22.3	14.5	204	15.2
Northrop	20.7	137	28.2	16.6	110	23.7
Avnet	20.7	138	16.1	15.1	172	14.7
E F Hutton Group	20.6	139	21.4	16.4	116	17.2
Loews	20.6	140	21.8	8.3	640	10.4
Genuine Parts	20.6	141	20.0	20.7	48	19.4
Pay'n Save	20.5	142	16.2	17.9	82	12.8
Auto Data Processing	20.5	143	21.0	19.6	61	18.2
C F Braun	20.5	144	14.0	15.2	167	10.6
Hunt Intl Resources	20.5	145	def	6.1	828	def
SCOA Industries	20.5	145	22.6	12.7	295	13.7
Weis Markets	20.4%	147	20.5%	20.4%	50	20.6%
Raymond Intl	20.4	148	18.8	15.6	150	15.5
Crouse-Hinds	20.4	149	19.5	18.8	69	16.5
Ryan Homes	20.4	150	19.2	17.4	92	17.6
Northwest Industries	20.3	151	21.7	12.7	299	11.8
Chic Bridge & Iron	20.3	152	18.8	16.7	108	15.4
Moore McCormack Res	20.2	153	12.3	11.7	372	7.4
Colt Industries	20.1	154	18.0	11.9	364	10.8
PepsiCo	20.1	155	21.1	14.3	213	15.9
Gulf & Western Inds	20.1	156	16.4	9.0	585	8.2
Parker Pen	20.1	156	22.3	18.5	76	20.3
Northern Natural Gas	20.0	158	15.8	9.9	510	9.0
Abbott Laboratories	20.0	159	21.1	15.0	176	16.6
Blount	19.9	160	27.4	11.2	412	15.6
St Paul Companies	19.9	160	25.3	17.6	88	22.2
Malone & Hyde	19.9	162	19.0	17.7	86	16.1
Wyman-Gordon	19.9	163	21.5	15.7	145	16.7
Grumman	19.8	164	12.1	11.1	413	8.9
Ethyl	19.8	165	17.1	11.3	394	10.7
White Consolidated	19.7	166	19.1	10.7	453	10.2
Willamette Inds	19.7	166	18.8	13.6	254	13.2
Southwestern Pub Svc	19.7	168	18.4	8.2	652	8.1
Emerson Electric	19.6	169	21.7	18.0	79	19.4
Air Prods & Chems	19.6	170	17.9	11.4	392	10.3
Norris Industries	19.6	170	19.7	16.9	102	18.1
Ogden	19.6	172	18.0	9.5	557	8.9
General Cinema	19.6	173	21.5	11.9	360	13.0
Jack Eckerd	19.6	174	17.7	19.1	64	17.4
Copeland	19.5	175	23.4	17.6	87	21.6
W W Grainger	19.4	176	19.9	18.0	80	19.5
Minn Mining & Mfg	19.4	177	23.1	16.9	103	19.5
General Reinsurance	19.4	178	22.5	18.5	75	21.7
Scott & Fetzer	19.3	179	22.4	16.0	134	17.8
A E Staley Mfg	19.3	180	6.6	14.5	199	5.4
Warner Communctns	19.3	180	24.6	11.0	421	14.8
Dana	19.3	182	21.3	14.7	188	17.1
Butler Manufacturing	19.2	183	18.9	16.2	129	15.5
Chesebrough-Pond's	19.2	184	19.1	16.1	133	15.9
Mead	19.2	185	21.4	10.9	427	11.7
Archer Daniels Midland	19.2	186	11.9	14.5	204	9.6
Raytheon	19.2	187	22.9	16.8	105	20.6
McLean Trucking	19.2	188	14.2	13.1	279	10.7
Kings Dept Stores	19.1	189	20.6	17.0	101	15.6
Big Three Industries	19.1	190	17.3	15.0	175	13.2
Transway Intl	19.1	190	20.0	15.6	151	15.8
U S Fidelity & Gty	19.1	192	30.6	19.0	66	30.7
Georgia-Pacific	19.0	193	19.0	10.7	451	11.8
Occidental Petroleum	19.0	193	2.2	9.7	540	3.8
PACCAR	19.0	195	24.7	17.4	94	23.0
Geico	18.9	196	25.1	5.9	854	6.4
Equifax	18.9	197	16.0	16.0	137	14.9
Mallinckrodt	18.9	197	17.7	14.1	223	12.4
Alco Standard	18.8	199	20.7	13.9	232	15.4
Upjohn	18.8	199	22.4	15.0	174	16.7
So Natural Resources	18.8	201	19.6	9.5	550	10.1
Moore Corp	18.7	202	17.8	14.6	197	14.4
Revco D S	18.7	203	21.0	15.3	162	17.4
DEKALB AgResearch	18.7	204	13.9	15.2	169	11.1
Pay Less Drug NW	18.7	204	17.7	16.4	121	14.4
Skaggs Companies	18.7	206	19.1	16.7	109	18.0
Johnson & Johnson	18.7	207	19.7	18.0	81	19.3
Clorox	18.7	208	18.4	14.5	199	14.7
Amer Broadcasting	18.6	209	24.1	14.4	207	18.8
General Electric	18.6	209	20.2	16.1	132	17.1
A C Nielsen	18.6	209	20.8	18.8	70	21.1
Provident Life & Acc	18.6	212	18.4	18.6	72	18.3

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables. def Deficit.

Who's Where In Profitability

	Return On Equity			Return On Capital		
company	5-year* average	rank	latest 12 months	5-year* average	rank	latest 12 months
Amsted Industries	18.6%	213	21.9%	18.1%	78	21.4%
Lear Siegler	18.6	213	26.1	11.5	386	13.9
Procter & Gamble	18.5	215	19.1	14.8	186	14.9
Gannett	18.5	216	21.0	17.1	97	18.2
Foster Wheeler	18.5	217	24.7	15.5	155	20.2
Commercial Metals	18.5	218	9.4	14.6	193	7.5
Charter Company	18.5	219	13.3	9.7	535	6.7
SEDCO	18.5	219	12.7	10.9	430	8.3
Capital Cities Comm	18.4	221	21.8	13.9	236	15.3
Hewlett-Packard	18.4	222	16.1	17.8	84	15.5
Ark Louisiana Gas	18.3	223	17.1	9.9	522	9.4
TRW	18.3	223	20.6	12.5	318	13.3
Xerox	18.3	225	18.2	14.8	185	15.3
Kemper Corp	18.3	226	26.6	17.9	83	26.2
Houdaille Industries	18.3	227	16.9	14.4	206	14.0
Nash Finch	18.3	228	15.5	15.8	140	11.4
Bucyrus-Erie	18.2	229	17.8	14.7	189	13.8
Heublein	18.2	229	14.8	12.9	288	11.0
American Express	18.2	231	21.6	15.3	166	16.9
Pitney-Bowes	18.2	232	20.3	12.2	339	13.7
K mart	18.2	233	18.1	16.1	131	15.5
Wallace-Murray	18.1	234	21.0	9.9	516	10.9
Economics Laboratory	18.1	235	17.1	13.4	259	13.7
Eastman Kodak	18.0	236	18.4	17.0	99	17.5
Metromedia	18.0	237	24.2	12.4	321	15.3
Deere	18.0	238	16.9	14.6	197	13.3
CPC International	18.0	239	17.5	14.3	209	14.2
Avco	18.0	240	29.3	6.8	762	7.7
Harsco	18.0	240	17.3	14.9	180	14.0
Gillette	18.0	242	16.7	13.2	269	12.1
General Mills	17.9	243	18.3	12.9	283	14.2
Dayton-Hudson	17.8	244	32.6	14.2	217	32.5
Dean Foods	17.8	244	19.1	13.3	265	14.9
Phillips Petroleum	17.8	246	18.1	13.4	262	13.4
Braniff Intl	17.8	247	21.3	8.9	592	10.5
United Technologies	17.8	248	17.4	11.8	367	13.9
Eagle-Picher Inds	17.7	249	17.1	13.0	280	12.9
Fleming Companies	17.7	250	16.2	14.4	207	13.6
Hershey Foods	17.7	251	16.3	14.6	195	13.9
Ralston Purina	17.7	252	17.8	12.2	334	12.5
Tenneco	17.6	253	15.2	9.1	580	8.9
Delta Air Lines	17.6	254	20.2	9.2	578	11.5
Marathon Mfg	17.6	254	18.7	11.0	419	14.0
Parker-Hannifin	17.6	256	17.2	12.6	305	13.4
Royal Crown Cos	17.5	257	12.5	16.1	130	9.7
Campbell Taggart	17.5	258	17.9	13.4	258	12.5
Stanadyne	17.5	258	17.7	16.5	113	15.1
Pfizer	17.5	260	17.9	13.6	251	13.4
American Standard	17.5	261	24.8	11.9	360	16.5
Owens-Corning Fbrgls	17.5	262	23.1	13.1	278	17.7
Olinkraft	17.4	263	14.5	12.7	301	9.7
Koppers	17.4	264	15.2	12.6	307	11.6
Jim Walter	17.4	265	16.6	11.5	381	9.7
Wetterau	17.4	266	15.9	13.6	250	12.3
Hospital Corp of Am	17.4	267	18.5	8.1	661	8.3
Rexnord	17.4	267	17.4	13.2	272	13.7
Wm Wrigley Jr	17.4	267	16.9	16.7	107	16.2
Colgate-Palmolive	17.3	270	16.0	15.1	170	14.1
Louisiana-Pacific	17.3	270	20.2	11.3	399	13.4
Arvin Industries	17.3	272	17.2	11.2	403	11.0
American Financial	17.3	273	24.1	6.4	796	7.8
General Motors	17.3	273	22.3	15.7	147	20.3
Times Mirror	17.3	273	22.0	15.2	168	19.5
Carnation	17.3	276	16.4	13.9	238	13.3
Standard Oil Ind	17.3	276	15.4	13.4	260	11.4
Beatrice Foods	17.3	278	17.0	14.9	182	14.6
EG&G	17.3%	278	22.3%	15.3%	163	17.5%
McDonough	17.3	280	17.2	13.9	233	14.9
Emhart	17.2	281	20.6	16.3	124	17.3
Panhandle Eastern	17.2	282	16.1	8.3	647	8.7
Federal Co	17.2	283	21.2	15.1	170	18.5
Longview Fibre	17.2	284	15.8	15.8	141	14.2
Cessna Aircraft	17.2	285	16.6	13.2	272	13.7
Republic of Texas	17.2	285	14.2	14.2	214	11.5
Time Inc	17.1	287	22.2	12.9	285	16.8
Centl Louisiana Engy	17.1	288	15.7	7.8	681	7.2
Circle K	17.1	288	20.7	12.8	294	15.8
Hilton Hotels	17.1	290	24.4	11.0	424	14.8
BankAmerica Corp	17.1	291	17.7	13.4	264	13.3
Rite Aid	17.1	291	19.0	14.5	202	15.9
Dexter	17.1	293	19.6	13.2	275	15.5
Sun Company	17.0	294	14.3	10.7	451	9.9
Digital Equipment	17.0	295	16.9	16.0	136	14.9
Stone Container	17.0	296	7.5	11.7	376	5.6
Sysco	17.0	296	16.8	13.6	253	12.2
Texas Comm Bshs	17.0	298	17.6	16.5	113	16.1
Michigan National	17.0	299	17.2	13.3	267	13.6
Champion Spark Plug	16.9	300	16.7	15.4	158	15.7
Marathon Oil	16.9	300	16.2	12.7	295	10.2
Carpenter Technology	16.9	302	19.8	14.7	190	17.3
U S Bancorp	16.9	302	17.8	13.7	243	14.0
Sundstrand	16.9	304	20.3	9.8	523	12.2
First Intl Bshs	16.9	305	16.9	14.0	227	13.2
McGraw-Hill	16.8	306	19.9	13.9	234	17.5
Texas Instruments	16.8	306	18.3	15.5	156	17.5
Liquid Air of No Amer	16.8	308	15.4	12.2	344	10.5
Potlatch	16.8	308	15.5	12.2	342	10.5
Quaker State Oil	16.8	310	12.2	11.9	362	7.8
Thiokol	16.8	310	16.0	14.3	210	13.7
Illinois Tool Works	16.8	312	18.2	16.3	123	17.8
Hanover Insurance	16.8	313	22.4	15.7	145	21.0
VF Corp	16.7	314	15.7	14.3	211	13.2
Nabisco	16.7	315	19.8	11.2	407	13.8
Alexander & Baldwin	16.7	316	9.2	13.6	247	6.9
Amstar	16.7	316	5.2	10.5	462	4.2
United Telecom	16.7	318	18.4	7.1	738	7.8
Continental Oil	16.7	319	13.3	12.3	327	9.6
Shell Oil	16.7	320	15.3	12.8	293	11.8
Sheller-Globe	16.7	320	14.1	9.8	530	8.9
Central Tel & Utils	16.6	322	17.2	7.3	720	7.3
Fred Meyer	16.6	322	18.0	11.3	396	11.9
Crown Cork & Seal	16.6	324	16.7	13.7	246	14.7
Sterling Drug	16.6	324	15.1	15.5	157	13.6
Bausch & Lomb	16.6	326	18.8	12.5	317	15.0
Northwest Energy	16.6	327	11.9	7.6	695	6.3
A H Robins	16.6	327	14.6	15.3	165	13.3
Monsanto	16.6	329	11.7	12.3	333	8.5
Copperweld	16.6	330	9.9	13.3	267	7.6
Hyatt Corp	16.6	330	39.8	6.2	823	12.4
Witco Chemical	16.5	332	17.5	10.6	459	11.8
Fedl Natl Mortgage	16.5	333	17.8	4.1	930	3.7
Eastern Gas & Fuel	16.5	334	0.7	8.8	608	1.6
Warner-Lambert	16.5	334	17.4	13.5	257	13.2
Chromalloy American	16.4	336	19.8	8.8	601	9.7
Squibb	16.4	337	15.0	12.3	330	11.2
Baxter Travenol	16.4	338	16.9	11.6	380	12.5
Tecumseh Products	16.4	339	19.5	16.4	120	19.5
Cone Mills	16.4	340	16.6	14.1	223	15.0
Tektronix	16.4	341	19.6	15.4	159	17.2
Western Air Lines	16.3	342	32.8	7.7	686	14.0
Univar	16.3	343	10.2	10.4	464	6.6
Gould	16.3	344	17.9	12.4	323	13.3

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables.

Who's Where In Profitability

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 months
USLIFE	16.3%	345	16.7%	13.7%	244	13.2%
Consolidated Papers	16.2	346	21.9	14.3	211	19.3
Weyerhaeuser	16.2	346	15.8	11.6	377	11.1
Johnson Controls	16.2	348	22.9	13.2	272	18.6
Whirlpool	16.2	349	19.6	13.6	251	17.1
Foremost-McKesson	16.1	350	17.9	8.4	631	9.8
ENSERCH	16.1	351	12.1	8.7	611	7.3
Exxon	16.1	352	12.8	12.9	285	10.0
Kerr-McGee	16.1	352	10.4	13.0	281	8.3
Union Oil California	16.1	352	14.5	10.8	432	9.9
Citicorp	16.0	355	15.4	12.0	350	9.6
Hannaford Bros	16.0	355	15.3	12.2	334	11.3
Textron	16.0	357	17.5	12.6	306	13.9
Kimberly-Clark	16.0	358	16.2	12.0	354	12.0
Oscar Mayer	16.0	358	10.8	13.0	281	9.2
Standard Brands	16.0	358	14.8	10.8	438	10.1
Super Food Services	16.0	358	15.2	9.9	521	10.1
Union Carbide	15.9	362	11.0	11.5	382	8.0
Turner Construction	15.8	363	13.7	15.8	144	13.6
Aetna Life & Cas	15.7	364	23.5	14.2	215	20.6
Connecticut General	15.7	364	18.0	15.9	139	18.2
Joy Manufacturing	15.7	366	11.2	13.5	255	9.9
International Paper	15.7	367	10.9	10.6	457	7.7
Pillsbury	15.7	367	17.1	10.8	432	11.4
Dayco	15.7	369	16.9	7.2	728	8.1
General Foods	15.7	369	16.7	12.2	339	13.4
Del Monte	15.7	371	13.0	10.7	445	9.4
Hughes Tool	15.6	372	16.6	14.9	179	15.1
Saga Corp	15.6	373	15.6	12.7	295	12.6
Morse Shoe	15.6	374	19.5	14.2	220	17.6
National Svc Inds	15.6	375	17.7	13.2	271	14.9
North American Coal	15.6	376	12.2	6.6	777	5.4
Universal Leaf	15.6	376	15.5	14.6	194	14.3
Ingersoll-Rand	15.5	378	14.3	12.6	309	10.9
Peavey	15.5	378	11.4	12.4	323	8.6
Insilco	15.5	380	16.5	9.2	576	9.9
Kerr Glass Mfg	15.5	381	13.7	10.1	492	9.1
Centex	15.5	382	20.1	7.6	691	9.0
Savannah Foods	15.5	382	9.5	9.5	555	7.4
Gerber Products	15.5	384	15.7	13.9	229	13.9
McCormick & Co	15.5	384	12.9	12.2	342	9.8
Peoples Gas	15.4	386	15.3	7.9	675	8.2
Continental Illinois	15.4	387	15.5	13.2	276	13.0
Amerada Hess	15.4	388	9.1	10.8	434	7.0
J P Morgan & Co	15.4	388	14.4	12.7	304	11.7
Gt Northern Nekoosa	15.4	390	12.1	10.3	476	9.0
Texas Gas Transmn	15.4	390	14.6	8.2	649	8.0
Central Steel & Wire	15.4	392	14.2	14.7	191	14.1
Seafirst	15.4	392	16.3	14.9	184	14.8
Franklin Life Ins	15.3	394	15.0	15.3	161	14.8
Fisher Foods	15.3	395	11.8	8.8	598	6.9
NCR	15.3	396	27.9	10.9	429	19.9
Pneumo Corp	15.3	396	9.6	11.3	401	8.0
ConAgra	15.3	398	25.3	9.0	585	16.6
Marsh Supermarkets	15.3	398	20.5	10.8	441	13.0
Wheelabrator-Frye	15.3	398	18.3	12.0	352	14.9
United States Shoe	15.3	401	17.9	11.7	371	13.6
ERC	15.2	402	23.1	13.9	238	20.1
Ideal Basic Inds	15.2	403	18.4	11.7	374	13.7
Ferro	15.2	404	15.9	13.4	263	14.1
Household Finance	15.2	405	14.4	7.3	718	7.0
Murphy Oil	15.2	405	9.7	10.1	497	6.6
Harcourt Brace Jovan	15.2	407	11.4	13.1	277	8.1
Harnischfeger	15.1	408	10.3	10.7	444	6.8
Westvaco	15.1	409	14.1	10.2	491	9.4
Fischbach & Moore	15.1	410	13.8	11.0	416	11.0
NICOR	15.1%	411	20.5%	7.8%	678	9.8%
Meredith	15.1	412	16.0	10.3	476	11.2
Combustion Engnrng	15.1	413	18.1	11.2	403	12.1
Eaton	15.1	414	17.6	10.3	480	12.1
Crum & Forster	15.1	415	25.4	14.1	221	23.9
First City Bancorp	15.0	416	15.8	12.7	303	13.5
Amer Genl Insurance	15.0	417	21.5	11.7	372	16.1
Cutler-Hammer	15.0	418	18.9	11.6	378	13.3
Humana	15.0	419	20.4	7.6	698	13.1
Mercantile Stores	15.0	419	14.6	12.4	321	11.5
Southern Union	14.9	421	15.0	8.8	603	8.8
Campbell Soup	14.9	422	15.2	13.9	236	13.9
Trans Union	14.9	422	15.9	6.0	838	6.5
Becton, Dickinson	14.9	424	14.8	11.6	379	12.1
Federal Paper Board	14.9	424	12.6	9.0	588	7.7
Mfrs Hanover Corp	14.9	426	13.8	12.3	329	10.4
Amer Nat Resources	14.8	427	15.8	7.5	702	8.4
Bluebird	14.8	427	16.8	10.8	434	12.7
Imperial Corp of Am	14.8	427	18.0	14.5	202	17.8
Hyster	14.8	430	23.8	12.0	357	19.0
RCA	14.8	431	19.3	9.6	548	12.2
Barnes Group	14.8	432	16.9	12.2	337	13.7
Federated Dept Stores	14.8	433	14.2	13.3	266	12.1
Safeway Stores	14.8	433	15.1	11.2	407	9.2
Southland Corp	14.8	435	15.9	10.4	470	10.3
Pacific Resources	14.7	436	15.3	8.7	615	8.9
Texas Eastern	14.7	437	14.2	7.3	713	7.6
Kraft	14.7	438	15.8	12.2	334	12.4
H J Heinz	14.6	439	15.2	11.3	394	11.8
Amer Hoist & Derrick	14.6	440	9.7	9.1	581	7.3
Purex Industries	14.6	441	14.4	10.7	454	10.9
Suburban Propane Gas	14.6	441	13.3	9.2	572	8.3
Studebkr-Worthington	14.6	443	27.5	11.9	362	21.3
American Petrofina	14.5	444	7.1	12.3	331	6.4
Signode	14.5	445	15.5	11.9	365	13.1
Atlantic Richfield	14.5	446	15.3	10.4	471	10.0
Flickinger	14.5	446	14.0	12.8	289	11.4
Northwest Bancorp	14.5	448	15.5	11.7	370	12.4
Texasgulf	14.5	448	5.3	10.2	486	4.3
Interco	14.5	450	13.7	13.5	256	12.3
Dart Industries	14.5	451	15.4	10.3	474	11.3
Public Service Ind	14.5	452	12.6	7.0	742	6.3
First Charter Finl	14.4	453	16.6	13.8	240	13.1
Cummins Engine	14.4	454	15.5	10.0	509	11.5
Safeco	14.4	455	20.3	11.4	393	15.8
Knight-Ridder News	14.4	456	17.2	12.7	299	16.2
Black & Decker	14.3	457	16.4	12.1	349	13.4
Reserve Oil & Gas	14.3	458	9.7	11.5	384	7.7
First Bank System	14.3	459	15.0	11.9	358	12.2
General Signal	14.3	459	15.7	12.6	308	14.2
Gordon Jewelry	14.3	459	16.7	11.5	382	13.4
Walter E Heller Intl	14.3	462	13.2	6.9	747	5.2
Paine Webber	14.3	463	17.1	11.2	410	12.3
Burroughs	14.2	464	13.9	12.0	352	12.3
Clark Equipment	14.2	464	15.3	10.4	466	11.9
Northwestern Steel	14.2	464	17.4	13.9	229	17.2
Castle & Cooke	14.2	467	13.7	10.1	498	9.4
Hobart	14.2	467	14.2	11.1	413	11.3
Midland-Ross	14.2	467	15.2	10.5	463	11.3
Godfrey	14.2	470	13.0	9.2	571	8.8
Dennison Mfg	14.2	471	16.2	11.8	368	13.4
Foodarama Supermkts	14.2	472	11.4	11.2	411	10.0
Getty Oil	14.1	473	11.5	12.3	327	9.6
Transco Companies	14.1	474	14.5	5.8	858	6.3
American Cyanamid	14.1	475	12.7	11.2	403	9.6
Mobil	14.1	476	13.3	11.3	401	9.9

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables.

Who's Where In Profitability

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 months
Central & South West	14.1%	477	15.0%	7.1%	734	7.5%
Adolph Coors	14.1	478	9.7	13.9	229	9.1
Norton Simon	14.1	479	14.6	9.6	547	10.4
Foxboro	14.1	480	14.6	12.8	291	13.2
Riegel Textile	14.0	481	13.0	10.0	504	9.7
Richardson-Merrell	14.0	482	13.0	12.9	285	11.9
Signal Companies	14.0	482	17.0	9.9	513	11.5
Talley Industries	14.0	484	13.2	8.5	624	8.4
Standard Oil Calif	14.0	485	13.4	11.9	366	11.0
General Tel & Elec	14.0	486	16.5	6.7	770	7.7
Southwestern Life	14.0	486	14.1	14.0	227	14.1
National Distillers	14.0	488	11.8	10.3	481	9.4
Perkin-Elmer	14.0	488	17.5	13.8	242	15.8
Intl Multifoods	14.0	490	13.2	10.3	479	10.1
Amerace	14.0	491	12.4	8.4	634	7.6
Stop & Shop	14.0	491	13.6	8.1	660	8.1
W R Grace	13.9	493	12.7	9.7	534	8.8
Martin Marietta	13.9	493	16.4	9.7	532	12.2
Quaker Oats	13.9	495	16.4	10.0	504	11.6
Cleveland Elec Illum	13.9	496	11.6	7.2	723	6.6
Purolator	13.9	496	10.5	10.7	449	8.6
New York Times	13.9	498	11.6	12.4	325	10.5
Stewart-Warner	13.9	498	15.1	13.7	245	14.8
Champion Intl	13.8	500	15.4	7.9	675	9.4
Crown Central Petrol	13.8	501	11.0	9.7	535	8.0
Freeport Minerals	13.8	501	5.6	12.0	356	4.9
Waldbaum	13.8	503	11.4	11.3	397	9.3
Anheuser-Busch	13.8	504	16.0	9.7	533	10.3
Ford Motor	13.8	504	20.1	11.4	388	16.9
American Brands	13.7	506	15.5	9.8	529	10.9
Ball Corp	13.7	507	14.5	10.7	447	10.7
George A Hormel	13.7	507	13.1	12.8	289	11.6
Pac Gamble Robinson	13.7	509	13.5	12.5	315	11.9
Wells Fargo	13.7	509	16.0	10.2	489	11.9
Bendix	13.7	511	15.2	11.0	424	12.4
National-Standard	13.7	512	12.7	10.2	484	9.8
Tampa Electric	13.7	513	15.6	6.2	821	6.9
Amer Hospital Supply	13.6	514	14.9	12.0	355	11.4
Gino's	13.6	514	12.2	8.8	604	8.6
Graniteville	13.6	516	5.4	11.4	391	4.9
Pennwalt	13.6	516	14.9	9.8	527	10.5
H F Ahmanson	13.6	518	17.9	12.6	309	12.3
Continental Group	13.6	519	10.9	9.8	525	8.3
Reichhold Chemicals	13.6	519	8.6	10.0	501	6.7
Dravo	13.6	521	13.4	10.0	507	12.0
Sperry Rand	13.5	522	13.6	9.9	510	9.9
Giant Food	13.5	523	12.5	9.7	538	9.1
Houston Industries	13.5	524	13.7	7.3	713	7.0
Eltra	13.5	525	13.0	11.0	418	10.7
Wachovia Corp	13.5	525	12.9	12.1	346	11.8
Republic Natl Life	13.4	527	17.6	13.4	261	17.5
Nashua	13.4	528	21.2	9.9	510	15.6
Diamond Intl	13.4	529	11.2	11.5	385	9.7
RR Donnelley & Sons	13.4	529	15.0	12.1	345	13.6
Timken	13.4	531	14.4	12.9	283	13.4
Allied Stores	13.4	532	13.5	8.7	615	9.3
Alleghany Corp	13.3	533	10.6	12.4	325	9.5
Fed-Mart	13.3	533	6.2	8.6	623	6.1
Peabody Intl	13.3	535	15.5	10.7	450	13.2
Arizona Public Serv	13.3	536	15.0	7.2	726	8.0
Texas Utilities	13.3	536	13.6	7.2	723	7.2
Jefferson-Pilot	13.3	538	14.3	13.2	269	14.1
Harris Corp	13.3	539	21.3	10.7	445	16.3
Williams Companies	13.3	540	3.9	8.3	642	3.5
Federal-Mogul	13.3	541	19.5	10.1	494	15.2
Long Island Lighting	13.3	542	14.0	6.9	751	7.5

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 mont
Frederick & Herrud	13.2%	543	6.7%	9.9%	514	5.3
Transamerica	13.1	544	19.3	8.4	631	11.7
Walter Kidde	13.1	545	14.1	8.8	598	8.7
Toledo Edison	13.1	545	12.2	6.2	817	6.9
First Chicago Corp	13.1	547	12.4	10.6	456	9.9
ACF Industries	13.1	548	12.9	7.4	711	7.1
FMC	13.1	548	14.2	9.4	561	10.0
Anchor Hocking	13.0	550	15.1	10.6	459	11.3
Crown Zellerbach	13.0	550	10.5	9.3	567	7.8
Genl Tire & Rubber	13.0	552	13.0	9.7	540	10.0
Stanley Works	13.0	552	15.9	10.3	476	12.5
Oklahoma Gas & Elec	13.0	554	13.3	6.7	776	6.2
J C Penney	13.0	554	13.8	11.0	416	11.5
Supermarkets General	13.0	554	17.2	7.9	672	10.4
Bank of New York	13.0	557	11.7	11.0	419	10.3
Boeing	13.0	557	22.0	11.2	403	19.3
Kaiser Alum & Chem	13.0	559	16.1	7.5	701	9.1
Arcata National	12.9	560	13.7	9.2	574	9.9
Brockway Glass	12.9	560	13.6	10.4	466	10.3
Sun Chemical	12.9	560	22.8	8.9	594	13.8
Capital Holding Corp	12.9	563	13.3	12.7	295	13.2
Fairchild Industries	12.9	564	25.9	9.6	548	19.1
R H Macy	12.9	564	15.4	8.5	628	10.5
Ryder System	12.9	566	25.1	6.6	781	9.8
Beneficial Corp	12.9	567	12.3	5.9	854	5.4
Kuhn's-Big K Stores	12.9	567	0.3	11.0	421	1.2
Motorola	12.9	569	15.4	11.4	390	12.8
Rockwell Intl	12.9	569	14.8	9.2	574	10.6
United Refining	12.9	569	15.0	9.4	563	10.1
Certain-teed	12.9	572	18.9	9.6	543	13.2
Morrison-Knudsen	12.9	572	15.7	9.8	525	11.5
St Regis Paper	12.9	574	11.4	9.2	576	8.1
Wisconsin Pub Svc	12.8	575	14.1	6.8	761	7.4
Allied Chemical	12.8	576	10.9	8.7	611	6.8
Gt Western Financial	12.8	576	17.7	11.9	358	14.6
Travelers	12.8	576	20.3	12.0	350	19.1
Sav-On-Drugs	12.8	579	14.5	12.2	341	13.1
Dean Witter Reynolds	12.8	580	12.3	12.6	309	16.2
Central Soya	12.8	581	12.6	9.8	527	9.7
Coastal States Gas	12.8	582	10.1	6.5	795	5.5
Howard Johnson	12.7	583	13.3	12.1	346	12.4
May Dept Stores	12.7	583	13.3	8.4	637	8.3
Gulf Oil	12.7	585	9.7	10.8	443	8.4
North Amer Philips	12.7	585	14.0	9.1	584	9.9
Chubb	12.7	587	20.8	11.5	387	18.8
Maryland Cup	12.7	587	14.3	8.8	601	9.9
American Greetings	12.7	589	14.1	10.2	483	11.0
ARA Services	12.7	589	12.4	9.7	538	9.5
Merrill Lynch & Co	12.7	589	10.7	12.4	320	10.9
American Can	12.6	592	12.7	8.9	594	9.0
Fruehauf	12.6	593	18.5	8.5	626	11.0
Illinois Power	12.6	593	13.2	6.2	819	6.4
Natl Detroit Corp	12.6	595	13.3	10.8	440	11.7
Pa Power & Light	12.6	596	11.9	6.6	781	6.6
Esmark	12.6	597	9.9	9.1	581	6.8
Liberty Natl Life	12.6	598	13.0	12.5	315	13.0
MBPXL	12.6	598	14.8	9.7	540	10.4
Western Bancorp	12.6	598	15.8	10.3	481	12.4
Dibrell Brothers	12.6	601	12.9	10.7	447	10.7
Libbey-Owens-Ford	12.6	602	15.4	11.0	423	12.8
No States Power	12.6	602	13.7	6.0	839	6.6
Atlanta Gas Light	12.6	604	14.4	6.5	793	7.1
Harris Bankcorp	12.5	605	9.9	10.4	473	9.0
Beckman Instruments	12.5	606	16.5	10.1	496	13.7
Carson Pirie Scott	12.5	606	13.2	8.0	666	8.5
Pullman	12.5	608	14.5	10.2	486	12.1

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables.

Republic Steel: *action to meet your critical needs.*

Expanded facilities, pioneering technology, and "the best buy in America."

epublic Steel leadership — in apabilities to help you meet the emands of today's markets.

Providing sophisticated oducts that help you control aterial and fabricating costs, ven reduce them. Steels that ean *your* product can match the gher standards asked of it.

Expanding our facilities, to oduce more steels of more xacting quality.

Facilities like Republic's dvanced Strand Caster, produc- g quality alloy steels of the ghest structural uniformity, in the idest range of grades.

Providing a technological apability that has been a pioneer- g influence for more than 45 ears. Alloy steel technology and a nique internal/external quench nit, for example, applied to oil dustry needs produced Republic S-90* high-strength casing. To sist the disabling corrosion of ydrogen sulfide environments

-90 is a trademark of Republic Steel Corporation

Republic Steel's new Q-BOP facility in Chicago. A 200-ton per hour steelmaking unit, incorporating the most advanced technology, to produce carbon and alloy steels for billets, bars, and oil country casing. The energy efficient Q-BOP consumes on the average of 70% less energy than the four open-hearth furnaces it replaced.

faced by drillers in their widening search for energy.

Offering the assurance of a flexible inventory system, dependable delivery, and in-depth technical services.

Supplying what we know is pound for pound, the best buy in America. American steel, basic ingredient of industry success.

And Republic provides the full-line product capability to meet your expanding needs.

- carbon and alloy bar and wire
- high-strength steels
- cold finished bars
- welded steel tubing
- stainless and special metals
- pipe and oil country tubular goods
- cold rolled sheets

Action to meet your critical needs—that's what you get from Republic Steel. Responsive action, in products, technology, delivery and service. Our capabilities are designed around you. To help you make the most of what you make. Efficiently and profitably.

For more information about Republic Steel, its facilities and products, write Republic Steel Corporation, Department 1441, Cleveland OH 44101.

Republicsteel

Helping steel users make the most of what they make.

Who's Where In Profitability

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 months
Security Pacific	12.5%	609	15.9%	11.4%	388	13.9%
E I du Pont	12.5	610	16.5	10.0	508	12.2
Florida Power	12.4	611	13.5	5.6	879	6.5
New England G & E	12.4	611	13.5	6.3	811	6.8
Continental Tel	12.4	613	13.8	5.8	865	6.7
H K Porter	12.4	613	15.2	10.1	494	9.6
Gardner-Denver	12.4	615	16.3	10.9	431	12.5
Garfinckel Brooks Bros	12.4	615	13.3	9.4	560	10.0
Gray Drug Stores	12.4	617	13.5	9.9	516	11.1
Sybron	12.4	618	11.9	9.8	523	9.3
Borden	12.3	619	12.8	9.5	554	9.8
Corning Glass Works	12.3	620	15.5	10.3	474	13.0
Northern Trust	12.3	620	10.7	10.8	434	9.2
Pacific Pwr & Lt	12.3	622	13.5	6.4	796	6.6
Cullum Companies	12.2	623	21.1	7.7	688	11.0
Florida Power & Lt	12.2	623	14.3	6.3	813	7.1
Seaboard Allied Milling	12.2	623	21.7	8.9	591	15.1
So Carolina E & G	12.2	626	13.7	6.1	830	6.8
Continental Corp	12.2	627	19.3	11.2	407	17.3
Inco Ltd	12.2	627	3.5	7.9	672	2.1
Standard Oil Ohio	12.2	627	19.2	6.4	796	7.3
Hanna Mining	12.1	630	4.7	10.8	438	4.4
Fleetwood Enterprises	12.1	631	19.5	12.1	348	19.5
Hanes	12.1	631	16.9	9.9	520	12.8
Middle South Utils	12.1	633	13.2	5.7	873	6.4
Armco	12.0	634	13.9	8.4	638	9.9
Charter New York	12.0	635	12.1	9.2	578	9.0
Anderson, Clayton	12.0	636	11.0	10.4	466	10.4
McDonnell Douglas	12.0	636	13.7	10.8	434	13.5
Gulf United	12.0	638	15.6	10.2	484	11.9
Cincinnati G & E	12.0	639	12.6	6.3	812	6.7
Norton	12.0	640	16.9	10.2	488	13.9
Columbia Gas System	12.0	641	12.2	6.4	796	6.7
Collins & Aikman	12.0	642	13.7	9.9	514	11.6
Kellwood	11.9	643	13.9	8.9	594	9.4
McGraw-Edison	11.9	643	14.7	10.8	441	13.3
Sears, Roebuck	11.9	643	12.9	10.1	498	10.5
Laclede Gas	11.9	646	14.8	6.6	778	7.7
Consol Natural Gas	11.9	647	12.1	7.3	719	7.2
Fieldcrest Mills	11.9	647	17.8	8.4	633	12.2
Consolidated Foods	11.9	649	15.0	9.6	546	11.8
Ampex	11.9	650	15.5	6.6	787	9.8
Carter Hawley Hale	11.9	651	11.6	8.6	622	9.4
General Cable	11.9	651	12.7	8.6	618	8.2
Sunbeam	11.9	651	12.3	9.6	543	9.8
Boise Cascade	11.9	654	13.5	8.5	627	10.4
Kroger	11.9	654	15.0	8.7	610	10.5
Pay Less Drug (Cal)	11.8	656	6.5	12.3	331	5.9
H H Robertson	11.8	656	11.1	9.9	519	8.5
Ex-Cell-O	11.8	658	12.6	10.6	455	12.9
Lane Bryant	11.8	659	11.8	9.9	516	10.0
Marriott	11.8	660	13.7	6.6	785	8.5
No Indiana Pub Svc	11.8	660	9.5	5.8	869	5.1
A-T-O	11.8	662	12.5	7.7	690	7.3
Crocker Natl Corp	11.8	663	14.6	8.5	630	10.1
Amer Re-Insurance	11.8	664	28.7	11.7	369	28.7
Olin Corp	11.8	664	8.8	9.0	589	6.6
Servomation	11.8	664	13.0	9.2	573	10.8
Central Ill Pub Svc	11.7	667	11.1	5.9	851	6.2
Carolina Pwr & Lt	11.7	668	14.2	5.9	849	7.0
Gifford-Hill	11.7	669	16.8	8.6	621	12.1
Reeves Brothers	11.7	670	14.8	10.0	503	11.9
CleveTrust Corp	11.7	671	12.0	11.7	374	12.0
Wisconsin Gas	11.7	671	12.5	**		**
Gulf States Utils	11.7	673	11.5	5.6	881	5.4
Interpace	11.7	674	12.3	8.3	644	7.6
Masonite	11.7%	674	17.6%	10.4%	465	15.4
American Tel & Tel	11.6	676	13.3	6.7	767	7.1
N L Industries	11.6	677	11.3	8.8	604	8.1
UAL	11.6	678	31.1	6.0	843	14.1
Chemical New York	11.6	679	10.8	9.3	568	7.1
AMF	11.6	680	13.2	8.1	657	9.1
American Stores	11.6	681	12.3	9.4	558	9.1
American Elec Power	11.5	682	11.4	6.1	832	6.0
N Y State Elec & Gas	11.5	683	12.9	6.4	808	6.8
Ohio Edison	11.5	683	7.6	5.8	858	5.0
Texaco	11.5	683	8.1	8.9	593	6.4
Kay	11.5	686	26.5	7.4	709	13.3
Philadelphia Natl	11.5	686	10.5	9.3	570	8.2
San Diego Gas & Elec	11.5	688	13.4	6.9	756	7.1
PPG Industries	11.5	689	9.8	8.7	617	7.1
Avery International	11.4	690	11.9	9.4	562	9.2
Walt Disney	11.4	690	12.7	10.0	502	11.4
Columbus & So Ohio	11.4	692	7.2	6.4	804	5.2
Inland Steel	11.4	693	11.3	8.3	639	7.3
Wisconsin Elec Power	11.4	693	12.3	6.5	789	7.0
Envirotech	11.4	695	7.4	10.1	493	6.1
Cities Service	11.4	696	10.5	8.8	606	7.5
American Natl Fnl	11.3	697	15.5	11.3	399	15.5
So Calif Edison	11.3	697	9.5	6.5	794	5.8
New England Electric	11.3	699	13.1	6.0	843	6.4
Union Electric	11.3	699	12.6	6.1	834	6.4
CFS Continental	11.3	701	7.3	8.5	628	6.1
Consolidated Edison	11.3	701	11.2	6.0	835	6.3
Allegheny Power	11.3	703	8.8	6.1	831	5.0
Utah Power & Light	11.3	703	11.3	6.7	773	6.5
Amfac	11.3	705	11.3	7.6	696	7.7
NLT	11.3	705	11.1	11.1	415	10.8
Brooklyn Union Gas	11.3	707	13.4	6.7	768	7.8
Brunswick	11.3	707	12.0	8.7	609	9.5
Hiram Walker	11.2	709	12.2	10.0	504	10.2
Walgreen	11.2	710	17.3	8.1	661	11.5
Greyhound	11.2	711	8.6	8.3	648	7.0
Johns-Manville	11.2	712	15.2	8.7	613	11.3
Southern Railway	11.2	712	12.0	6.4	800	6.9
Browning-Ferris Inds	11.1	714	15.5	7.4	707	10.1
CIT Financial	11.1	715	9.3	5.9	851	5.5
Lukens Steel	11.1	716	12.5	9.3	569	10.3
Baltimore Gas & Elec	11.1	717	12.0	6.3	814	6.7
General Dynamics	11.1	717	def	9.4	558	def
Alcan Aluminium	11.1	719	18.9	7.6	696	12.4
Amer Medical Intl	11.0	720	16.9	6.3	814	9.2
INA	11.0	720	17.1	10.6	459	14.4
West Point-Pepperell	11.0	722	12.1	9.5	553	9.4
Interlake	11.0	723	2.3	9.4	564	3.0
Tiger International	10.9	724	16.8	5.4	887	6.7
Hercules	10.9	725	11.0	8.7	613	8.3
NCNB	10.9	725	13.7	8.0	669	9.5
SCM	10.9	725	10.4	7.8	680	7.5
Hammermill Paper	10.9	728	9.0	7.3	716	5.9
Niagara Mohawk Pwr	10.9	728	11.3	6.0	843	6.3
Owens-Illinois	10.9	728	9.4	7.4	705	6.6
Allen Group	10.9	731	13.4	7.9	677	9.4
Brown Group	10.9	732	14.3	8.9	597	11.4
Delmarva Power & Lt	10.9	732	12.5	6.2	819	7.0
Reynolds Metals	10.8	734	10.8	6.0	841	6.3
IU International	10.8	735	9.3	7.3	720	6.5
Duke Power	10.8	736	12.4	5.8	868	6.7
BancOhio Corp	10.8	737	10.8	10.1	500	10.0
Borg-Warner	10.8	738	14.5	9.6	543	12.7
U S Gypsum	10.7	739	19.8	8.5	624	14.8
Pub Svc Elec & Gas	10.7	740	11.4	5.9	857	6.2

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables. **Not available; not ranked. def Deficit.

To handle the fast-breaking issues of the day takes a printer who can handle the fast-breaking issues of Forbes.

It takes us. City Investing.

Among our operations is World Color Press, one of the largest printers of magazines.

Including the one you're reading right now.

Forbes built its reputation on informed coverage of business and financial news. News that breaks faster by the day.

Keeping up with that news takes a printer who can keep up with Forbes. An efficient, economical operation that knows how to meet deadlines.

Exactly what the innovative management of World Color Press provides.

It's the same innovative management you'll find in all our operations. Water heaters. Heating and air conditioning. Containers. Housing and mobile homes. Budget motels. Insurance.

It explains why our assets grew last year to more than $5 billion. Why sales rose to over $3.7 billion. And why we're leaders in so many industries.

Including the printing of magazines like Forbes.

City Investing

Who's Where In Profitability

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 months
Allegheny Airlines	10.7%	741	28.5%	5.9%	854	12.6%
Carrier	10.7	742	20.4	8.3	644	15.9
Duquesne Light	10.6	743	6.8	5.6	880	4.8
Lincoln Natl Corp	10.6	743	14.3	10.2	489	13.0
Dayton Power & Light	10.6	745	9.4	6.2	826	5.9
El Paso Company	10.6	746	5.8	5.2	898	3.4
Commonwealth Edison	10.6	747	11.1	6.0	843	6.5
Intl Tel & Tel	10.6	748	11.1	7.9	674	8.2
Pacific Gas & Elec	10.6	748	10.3	6.2	821	6.6
G D Searle	10.6	750	def	9.0	587	def
Allis-Chalmers	10.5	751	13.5	8.2	656	10.5
Lone Star Industries	10.5	752	13.8	7.4	709	8.8
Mellon National Corp	10.5	753	11.0	9.5	555	9.7
Celanese	10.5	754	11.4	6.8	762	7.4
Rochester Gas & Elec	10.5	755	11.6	6.1	829	6.5
Alcoa	10.4	756	14.3	7.1	736	9.4
Norfolk & Western Ry	10.4	756	8.4	5.8	858	5.1
Skyline	10.4	756	15.6	10.4	469	15.5
General Public Utils	10.4	759	10.6	5.7	870	6.2
Potomac Elec Power	10.4	759	11.2	6.5	789	6.5
Southern Company	10.4	759	8.8	5.0	906	4.5
Maremont	10.4	762	12.4	6.8	764	7.2
Cabot	10.4	763	16.4	7.8	683	11.4
Polaroid	10.4	764	13.6	10.4	471	13.7
Bemis	10.3	765	10.2	7.7	688	7.7
Cincinnati Milacron	10.3	766	17.2	7.8	682	11.6
Ruddick	10.3	766	15.2	8.1	659	10.7
Pamida	10.3	768	6.0	9.4	565	5.4
AMAX	10.3	769	4.0	7.1	731	3.9
Northeast Utilities	10.3	770	8.6	5.7	875	5.2
Northwest Airlines	10.3	770	9.7	7.0	741	6.8
Fairchild Camera	10.3	772	12.2	8.4	634	9.7
Jewel Companies	10.3	772	9.4	6.9	752	6.3
BanCal Tri-State	10.3	774	20.5	8.0	668	16.1
Consumers Power	10.3	775	11.0	5.3	892	5.7
So New England Tel	10.3	775	12.9	6.0	843	6.8
Trane	10.3	775	13.3	8.6	619	11.0
Honeywell	10.2	778	13.4	7.5	699	10.8
Continental Airlines	10.2	779	29.5	5.8	864	12.5
Public Service Colo	10.2	780	9.0	5.5	883	5.2
Intl Harvester	10.2	781	11.7	7.8	678	8.6
National Fuel Gas	10.2	781	10.5	6.7	773	6.7
Holiday Inns	10.1	783	12.6	7.2	730	8.7
Va Electric & Power	10.1	784	10.3	5.7	874	6.2
Congoleum	10.1	785	24.8	9.0	590	21.7
Del E Webb	10.1	786	15.1	8.0	666	13.1
National Gypsum	10.1	787	15.3	8.1	663	11.5
Superior Oil	10.1	788	5.7	9.8	531	6.5
Jos Schlitz Brewing	10.0	789	2.3	7.6	692	2.5
City Investing	10.0	790	19.0	6.2	817	8.7
First Natl Boston	10.0	790	10.8	7.6	694	7.8
Outboard Marine	9.9	792	10.1	8.3	642	8.1
Zale	9.9	792	9.9	9.3	566	9.2
Zapata	9.9	794	3.9	5.8	865	3.2
Union Pacific	9.9	795	11.7	7.1	738	7.8
Bankers Trust NY	9.9	796	9.8	8.3	644	7.7
Strawbridge & Clothier	9.9	796	9.7	8.2	650	8.2
Allied Van Lines	9.9	798	7.1	7.5	702	4.6
F W Woolworth	9.9	799	11.1	7.4	707	8.1
Chase Manhattan Corp	9.9	800	9.3	8.0	669	7.7
Girard	9.9	800	12.4	7.5	699	8.5
Scott Paper	9.8	802	8.0	7.5	704	6.1
American Bakeries	9.8	803	10.3	7.0	744	6.5
Pacific Lighting	9.8	804	11.8	5.8	858	6.5
DeSoto	9.7	805	13.2	8.0	671	10.4
Gas Service	9.7	806	12.7	6.1	833	6.4
Union Bancorp	9.6%	807	13.2%	8.1%	657	11.1
Washington Natl Corp	9.6	808	12.5	8.4	636	11.1
Nationwide Corp	9.5	809	11.6	9.5	550	11.5
Westinghouse Elec	9.5	810	13.1	7.7	684	11.1
U S Home	9.5	811	21.7	5.0	907	9.2
Allegheny Ludlum	9.5	812	7.3	6.5	788	4.9
Gamble-Skogmo	9.4	813	8.3	6.6	786	6.0
United States Filter	9.4	814	8.6	8.2	653	8.6
Coca-Cola Bottling NY	9.4	815	11.0	7.7	686	7.6
Armstrong Cork	9.3	816	10.4	7.7	684	8.3
Phila Electric	9.3	816	8.6	5.4	887	5.2
Kaiser Steel	9.3	818	def	6.5	789	0.4
Goodyear	9.2	819	9.9	7.0	745	7.0
Alterman Foods	9.2	820	11.3	7.3	716	9.5
Central Illinois Lt	9.2	821	9.8	5.1	900	5.4
First Penna Corp	9.2	822	9.0	6.7	771	6.7
Morton-Norwich	9.1	823	15.1	7.4	712	11.3
Seagram	9.1	824	8.8	7.3	715	6.9
Associated Dry Goods	9.0	825	6.9	7.4	706	5.8
National Can	9.0	826	2.3	6.9	752	3.1
Thrifty Corp	9.0	827	12.5	7.2	729	9.3
Burlington Inds	8.9	828	7.0	7.0	740	5.8
General Instrument	8.9	829	14.1	6.8	764	10.7
NN Corp	8.9	830	24.0	8.8	606	24.3
Pabst Brewing	8.9	831	4.3	8.0	665	3.8
Kane-Miller	8.8	832	1.8	7.1	732	3.1
Dynalectron	8.7	833	1.7	7.1	733	2.7
Southeast Banking	8.7	834	10.6	6.8	760	8.2
United States Steel	8.6	835	3.0	6.9	747	2.7
Roper Corp	8.6	836	14.8	6.4	800	10.3
Detroit Edison	8.6	837	8.9	4.9	909	5.1
Southwest Forest Inds	8.6	837	14.4	5.7	871	7.6
Fairmont Foods	8.6	839	6.9	6.6	780	5.7
Green Giant	8.6	839	9.7	6.4	804	7.0
Sperry & Hutchinson	8.6	841	11.0	8.1	664	9.5
Liggett Group	8.5	842	14.3	7.2	725	10.9
P R Mallory	8.5	843	9.0	8.2	653	8.8
Washington Gas Light	8.4	844	8.8	5.4	886	5.9
Chic Pneumatic Tool	8.4	845	10.6	8.6	619	9.7
Magic Chef	8.4	845	14.6	7.6	692	11.7
Santa Fe Industries	8.4	847	8.7	6.0	835	6.1
Perini	8.4	848	5.0	6.9	756	3.9
Levitz Furniture	8.4	849	14.4	7.2	726	11.2
Whittaker	8.4	849	17.1	6.4	803	11.4
Investors Div Svcs	8.4	851	7.4	6.6	783	6.9
Evans Products	8.3	852	21.0	6.0	842	12.6
A B Dick	8.2	853	8.1	6.9	750	6.4
Stokely-Van Camp	8.2	854	8.5	6.7	773	6.7
J P Stevens	8.2	855	7.4	6.6	784	5.8
Boston Edison	8.1	856	9.5	4.9	910	5.3
Scovill Mfg	8.0	857	18.7	6.9	755	13.6
National Steel	8.0	858	7.1	6.2	825	5.2
Fidelcor	8.0	859	def	6.3	814	1.0
Marshall Field	8.0	859	6.9	6.8	759	5.9
IC Industries	8.0	861	8.8	5.4	887	5.8
Cyclops	7.9	862	13.2	5.7	872	9.0
Curtiss-Wright	7.9	863	7.3	8.2	653	7.4
Ticor	7.9	864	12.3	7.2	722	10.7
Armstrong Rubber	7.8	865	7.9	5.9	848	6.2
Flintkote	7.8	866	14.0	5.9	853	9.7
Newmont Mining	7.8	867	0.9	6.2	826	1.5
Chessie System	7.7	868	4.6	5.0	902	3.9
Peoples Drug Stores	7.7	868	14.6	6.6	779	10.0
Hoover Co	7.6	870	12.2	6.7	768	11.1
Hart Schaff & Marx	7.6	871	9.4	6.8	766	8.1
American Airlines	7.6	872	15.6	4.8	913	8.8

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables. def Deficit.

Promising is one thing. Delivering is something else.

HNG has a history of keeping supply even with demand in the field of resources.

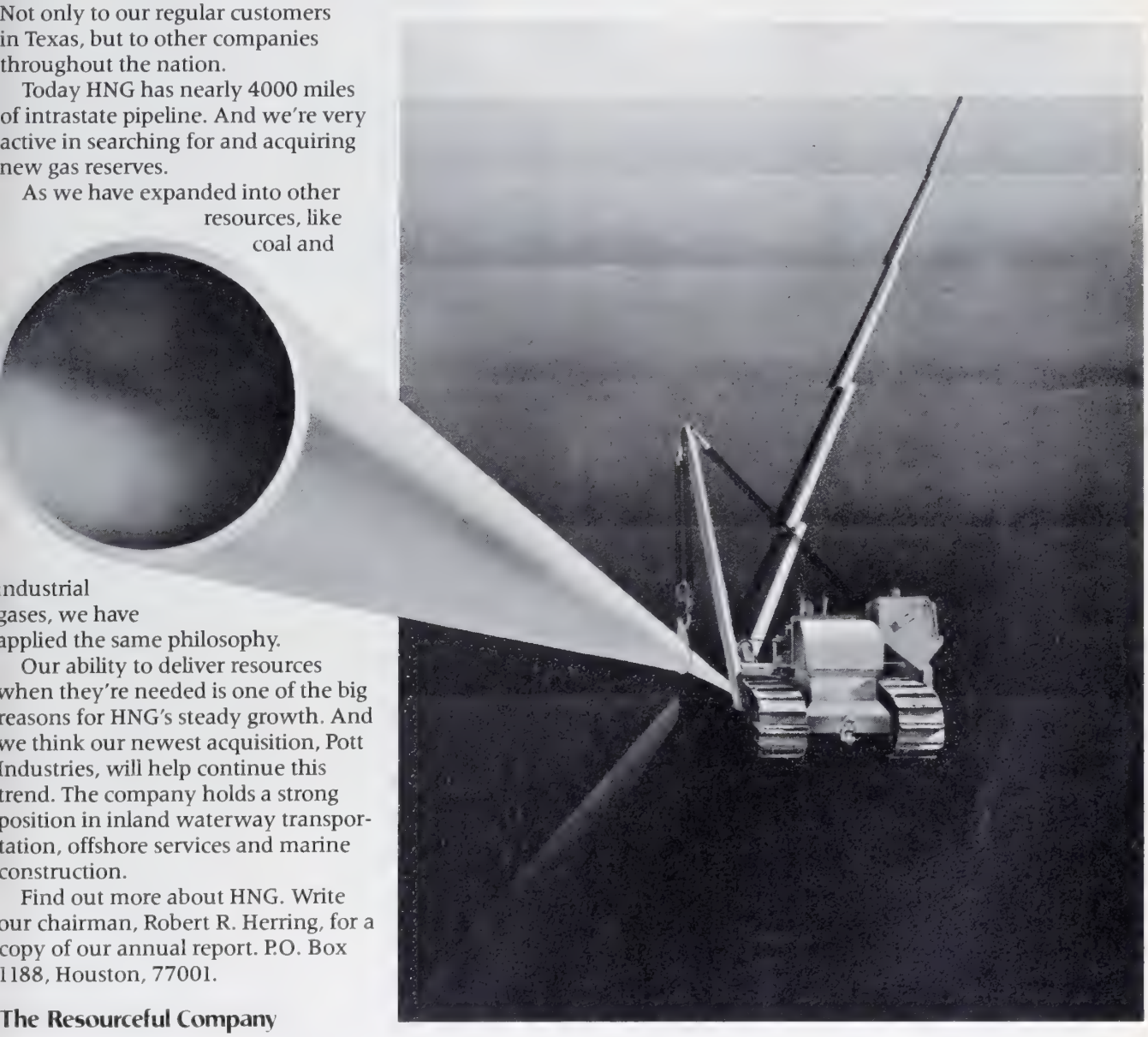
Years ago, our management made a decision to buy our pipeline supplier so we could ensure better delivery of gas.

Then, in 1965, we purchased the Bammel Gas Reservoir, one of the world's largest storage reservoirs.

As a result, HNG followed through with on-time deliveries even during the recent unusually severe winters. Not only to our regular customers in Texas, but to other companies throughout the nation.

Today HNG has nearly 4000 miles of intrastate pipeline. And we're very active in searching for and acquiring new gas reserves.

As we have expanded into other resources, like coal and industrial gases, we have applied the same philosophy.



Our ability to deliver resources when they're needed is one of the big reasons for HNG's steady growth. And we think our newest acquisition, Pott Industries, will help continue this trend. The company holds a strong position in inland waterway transportation, offshore services and marine construction.

Find out more about HNG. Write our chairman, Robert R. Herring, for a copy of our annual report. P.O. Box 1188, Houston, 77001.

The Resourceful Company

HNG
HOUSTON NATURAL GAS

Who's Where In Profitability

company	Return On Equity 5-year* average	rank	latest 12 months	Return On Capital 5-year* average	rank	latest 12 months
National Airlines	7.6%	873	8.6%	4.2%	929	5.4%
Wickes	7.6	874	15.2	5.7	876	10.0
Warner & Swasey	7.6	875	8.0	6.2	823	6.5
Edward Hines Lumber	7.5	876	12.0	7.1	734	11.2
Rose's Stores	7.5	877	11.0	7.1	736	9.6
Seatrain Lines	7.5	878	21.3	2.5	958	4.3
Olympia Brewing	7.5	879	9.4	6.7	771	7.8
G C Murphy	7.5	880	4.8	6.0	835	4.3
Tesoro Petroleum	7.4	881	def	10.6	458	1.8
Culbro	7.3	882	2.2	6.5	792	3.2
Seaboard Coast Line	7.3	882	5.7	5.3	890	4.5
Rohm & Haas	7.3	884	9.4	6.4	807	7.4
GATX	7.3	885	3.6	4.6	917	3.3
Republic Steel	7.2	886	6.5	5.8	858	5.0
Avondale Mills	7.2	887	6.6	7.0	745	6.3
Cyprus Mines	7.1	888	9.6	6.9	752	4.7
Koehring	7.1	889	10.2	5.6	878	7.0
First Wisconsin Corp	7.1	890	9.2	6.0	839	7.8
Varian Associates	7.0	891	7.5	6.3	810	6.6
Bache Group	7.0	892	10.4	6.4	800	8.9
Cannon Mills	7.0	893	8.3	6.9	749	8.3
Massey-Ferguson	7.0	893	def	6.9	756	def
Macmillan	6.9	895	7.5	5.9	849	6.3
Cluett, Peabody	6.9	896	11.1	6.4	804	9.4
Firestone	6.8	897	0.3	5.6	877	1.3
Norin	6.8	898	8.7	5.8	858	8.5
Zayre	6.7	899	9.7	5.0	901	6.7
Business Men's Assur	6.6	900	19.5	6.3	809	16.4
A O Smith	6.5	901	15.0	5.5	883	11.5
Alexander's	6.4	902	7.2	4.2	928	4.5
Borman's	6.4	903	8.2	5.2	897	6.0
Eastern Air Lines	6.3	904	21.0	4.5	919	10.3
Clark Oil & Refining	6.3	905	9.6	4.9	912	7.5
Mohasco	6.1	906	6.7	5.0	904	5.1
Dillingham	6.1	907	def	4.4	920	1.1
St Louis-San Fran Ry	6.0	908	8.2	4.0	934	4.9
Manhattan Industries	6.0	909	13.7	5.3	890	9.8
Zenith Radio	6.0	910	2.9	5.8	865	3.1
Simmons	5.9	911	2.9	5.4	885	3.2
J Weingarten	5.8	912	def	5.2	894	def
B F Goodrich	5.7	913	6.9	5.2	898	5.9
Keystone Consolidated	5.7	914	1.4	5.0	904	2.3
Fuqua Industries	5.6	915	13.0	4.7	914	7.4
Phelps Dodge	5.6	916	2.5	5.2	895	3.1
Southern Pacific	5.6	916	4.8	4.0	933	3.6
Bergen Brunswig	5.5	918	13.4	5.5	882	10.2
Jonathan Logan	5.5	918	5.8	4.9	911	5.0
Ward Foods	5.5	920	22.8	1.8	964	6.6
Ceco	5.4	921	2.3	4.7	915	2.7
U S Industries	5.3	922	9.1	5.3	893	8.2
Marine Midland Banks	5.3	923	5.2	4.4	922	4.0
Bangor Punta	5.2	924	19.8	4.9	908	10.3
Ramada Inns	5.1	925	6.4	3.9	936	4.4
Control Data	5.1	926	8.2	4.4	920	6.4
Western Union	4.9	927	6.6	4.4	923	5.4
Burlington Northern	4.8	928	6.8	3.8	938	4.7
Di Giorgio	4.8	929	10.8	4.3	925	7.4
Springs Mills	4.8	930	5.6	4.3	924	5.0
Dan River	4.7	931	6.9	4.1	932	5.4
Munford	4.6	932	def	5.0	903	def
Sherwin-Williams	4.6	932	def	4.7	916	0.7
LTV	4.5	934	def	4.1	931	2.0
Bethlehem Steel	4.5	935	7.8	4.3	927	6.3
CNA Financial	4.5	936	27.6	3.2	948	12.6
Bell & Howell	4.4	937	7.2	3.7	941	6.0
Saxon Industries	4.3	938	4.6	3.7	939	3.6
Monfort of Colorado	4.3	939	4.4	4.0	935	4.2
Akzona	4.3%	940	3.7%	3.7%	940	
Trans World Airlines	3.9	941	21.7	3.6	945	
Uniroyal	3.8	942	def	3.6	944	
Kennecott Copper	3.3	943	0.7	3.7	942	
ASARCO	3.1	944	def	3.9	936	
Kaufman & Broad	3.1	945	11.4	2.7	956	
Thriftimart	3.1	946	9.9	2.9	952	
Allied Products	2.9	947	0.9	3.6	943	
Bunker-Ramo	2.9	948	11.7	4.3	925	
Citizens & Southern	2.8	949	def	3.2	947	
GAF	2.6	950	3.7	3.1	949	
General Host	2.6	950	0.7	3.0	951	
Wheeling-Pitts Steel	2.6	952	def	3.3	946	
Revere Copper	2.5	953	11.5	2.5	959	
Food Fair	2.3	954	**	2.9	953	
Rapid-American	2.3	955	24.3	4.6	918	
Questor	2.1	956	3.4	2.9	955	
AM International	2.0	957	10.9	2.7	957	
Phillips-Van Heusen	1.4	958	1.8	1.9	962	
Goldblatt Brothers	1.2	959	def	1.8	965	
General Refractories	0.9	960	def	2.9	954	
Pan Am World Airways	0.8	961	29.2	2.4	960	
McLouth Steel	0.6	962	def	2.0	961	
M Lowenstein & Sons	0.0	963	4.5	1.7	967	
Shopwell	def	964	3.7	1.3	971	
Vornado	def	965	def	1.9	963	
United Brands	def	966	3.3	1.7	968	
American Motors	def	967	7.5	0.5	975	
Chrysler	def	968	def	0.4	977	
Philips Industries	def	969	12.7	3.1	950	
Tappan	def	970	0.4	0.4	976	
Warnaco	def	970	10.4	1.5	969	
Litton Industries	def	972	def	1.0	972	
White Motor	def	973	def	0.8	974	
Scot Lad Foods	def	974	def	1.4	970	
Lykes	def	975	def	1.8	966	
Singer	def	976	16.8	def	979	
Cook United	def	977	1.1	def	980	
Pueblo International	def	978	16.4	def	983	
Great Atl & Pac Tea	def	979	def	def	992	
Govt Employees Ins	def	980	58.2	def	998	
Rohr Industries	def	981	43.1	def	981	
National Tea	def	982	12.9	def	986	
City Stores	def	983	6.5	def	982	
Arden-Mayfair	def	984	1.2	0.9	973	
Penn-Dixie Inds	def	984	def	def	985	
Reliance Group	def	986	47.4	7.0	742	
Fedders	def	987	def	def	988	
Chicago Rock Island	def	988	def	def	996	
Commonwealth Oil	def	989	def	def	984	
First Natl Supermkts	def	990	def	def	1001	
Shop Rite Foods	def	991	def	def	994	
Champion Home	def	992	def	def	1000	
United Merch & Mfrs	def	993	13.3	def	997	
Genesco	def	994	def	def	993	
Intl Foodservice	def	995	def	def	989	
Amer Beef Packers	def	996	def	def	1002	
Intl Systems	def	997	def	def	990	
National Kinney	def	998	def	0.1	978	
Allied Supermarkets	def	999	def	def	995	
Hartfield-Zodys	def	1000	20.5	def	987	
Rath Packing	def	1001	def	def	1003	
Daylin	def	1002	15.5	def	999	
Arlen Realty & Dvpt	def	1003	def	def	991	
Memorex	**		63.1	12.8	292	
DPF	**		22.0	**		
Oxford Industries	**		10.2	**		

*The average return may be for less than a 5-year period as footnoted in individual Yardsticks tables. **Not available; not ranked. def Deficit.

w do they rank in terms of growth of sales d earnings per share over the past five rs? In the latest 12 months?

Who's where in growth

APS THE MOST sobering fact about able is that one-third of the compa- anked below failed to keep earnings ng as fast as inflation—as measured ly by the gross national product deflator of 6.8% for the period. ıg those who didn't are such former 'th stocks" as Litton Industries, Zenith Radio, Holiday Inns, Honeywell, Levitz Furniture and even proud Eastman Kodak. The plain fact, of course, is that, with a few exceptions, nothing is less permanent than rapid growth in earnings. Competition or market saturation, generally speaking, takes care of that. But, of course, that's not easy to remember when the wind is at your back and your sails are full.

As any veteran investor knows, of course, it's comparatively easy to *look* like a growth company for a while if you're recovering from a depressed base. For example, we use an average of earnings during the period 1969-73 as a base. So if a company had deficits in one or more of those base-period years, the road back to "normal" profitability will look initially like unusually rapid earnings growth statistically. The top nine companies on the yardsticks below all got there that way, for example. Not until you get to Tandy's league-leading 62.8% (restated for recent spin-offs) do you get genuine growth statistics. One good indicator is how closely earnings growth paces sales growth. If earnings growth lags, it suggests problems like dilution or weak earnings from acquisitions, or else profitless market-share gains. ■

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

	Earnings Per Share			Sales		
company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77
oore McCormack Res	221.5%	1	–13.8%	28.8%	51	14.1%
Olin Corp	114.7	2	–18.5	10.3	732	9.8
Pneumo Corp	109.7	3	–36.2	16.6	300	18.9
Intel	99.1	4	57.0	61.8	2	65.0
Fairchild Camera	84.1	5	101.4	10.3	731	24.1
H K Porter	77.9	6	63.6	8.3	846	44.5
Raymond Intl	76.9	7	11.1	15.9	336	73.5
Marathon Mfg	73.4	8	32.8	14.4	425	30.5
ntl Minerals & Chem	73.2	9	–21.4	18.8	204	6.8
Tandy	62.8	10	90.0	29.1	47	49.3
Farm House Foods	62.6	11	–4.8	25.7	77	28.2
Earth Resources	61.9	12	–19.1	35.2	23	38.4
Natomas	59.2	13	29.5	47.7	11	25.2
Service Merchandise	57.6	14	51.0	51.2	7	60.7
Natl Semiconductor	52.1	15	65.2	45.5	12	73.2
Cal-Maine Foods	50.8	16	P–D	29.1	46	7.7
SCOA Industries	50.7	17	36.9	13.6	480	18.4
UAL	50.6	18	705.7	11.4	664	30.4
Avco	50.4	19	72.0	3.9	962	23.2
Itel	49.7	20	55.0	30.9	36	105.3
Data General	48.8	21	88.4	56.0	6	117.5
Perini	48.7	22	–30.5	10.3	734	30.0
Wheelabrator-Frye	48.5	23	48.3	23.3	100	44.6
Arcata National	48.3	24	65.5	11.1	683	38.5
J Ray McDermott	48.2	25	–18.8	31.6	29	83.1
E-Systems	46.4	26	15.7	10.1	752	8.2
Teledyne	46.4	27	69.5	9.6	786	21.6
NCR	46.2	28	176.7	8.9	820	8.5
Beech Aircraft	46.1	29	57.4	15.0	388	44.6
Cameron Iron Works	45.4	30	33.2	22.7	111	19.7
Westmoreland Coal	45.1	31	–96.8	20.5	152	–25.5
Borman's	43.9	32	55.6	8.5	835	17.1
Best Products	43.3	33	133.6	49.1	9	84.5
td Energy Resources	42.6	34	39.7	22.3	116	55.7
Coachmen Industries	41.7	35	–8.3	39.8	16	40.7
United States Filter	41.6	36	0.9	28.8	51	49.7
dern Merchandising	41.2	37	55.5	48.7	10	94.1
MCA	41.2	38	35.8	19.5	175	27.3
Colt Industries	40.5	39	22.4	13.2	515	36.2
C F Braun	39.8	40	–12.6	24.8	84	–20.4

	Earnings Per Share			Sales		
company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77
Athlone Industries	39.8%	41	38.1%	8.5%	837	9.8%
Boeing	39.2	42	125.3	5.9	923	28.0
Signal Companies	38.2	43	125.1	12.1	608	35.6
Ruddick	37.8	44	84.4	10.4	727	38.8
Levi Strauss	37.7	45	39.5	24.2	89	30.2
Smith International	37.3	46	30.6	27.5	65	34.6
Crane	37.1	47	–39.4	8.3	845	7.2
Pitney-Bowes	37.0	48	45.7	11.9	623	27.7
Texas Oil & Gas	36.6	49	52.5	56.2	5	64.1
Cone Mills	36.4	50	21.3	11.5	649	9.4
Schlumberger	35.8	51	56.2	21.9	125	35.2
Wyman-Gordon	35.5	52	34.1	15.5	360	29.9
Digital Equipment	35.0	53	73.3	39.0	17	96.1
Santa Fe Intl	34.4	54	–2.4	23.3	100	20.1
EG&G	34.3	55	61.6	18.0	224	59.3
Burlington Northern	34.2	56	64.6	11.3	672	28.2
Fluor	34.1	57	17.8	29.0	48	55.4
Wal-Mart Stores	34.0	58	48.7	41.8	14	64.8
MAPCO	33.8	59	–0.2	33.3	27	26.6
Western Air Lines	33.7	60	283.0	13.6	475	33.5
Iowa Beef Processors	33.5	61	23.7	14.5	423	32.0
Parsons	33.4	62	41.5	18.0	225	3.7
Alleghany Corp	33.2	63	50.6	25.8	75	39.7
Diamond Shamrock	32.6	64	–11.7	17.7	236	23.2
Entex	32.6	64	92.0	30.7	38	84.6
Halliburton	32.5	66	32.3	28.1	58	29.4
Gelco	32.5	67	75.2	62.9	1	111.1
Houston Natural Gas	32.4	68	24.0	36.0	21	34.3
Mead	32.3	69	45.1	8.6	831	41.9
Pittston	32.0	70	–94.8	18.9	199	–11.0
Niagara Frontier Svc	31.9	71	30.9	27.9	60	44.2
SCM	31.9	72	17.4	8.8	824	16.9
Belco Petroleum	31.6	73	70.1	25.6	78	19.5
Pioneer Hi-Bred Intl	31.2	74	–6.3	22.2	117	27.4
Baker International	31.1	75	45.6	36.8	20	68.8
Allis-Chalmers	30.7	76	43.7	9.7	777	9.2
Bache Group	30.7	77	40.5	9.6	782	52.4
A E Staley Mfg	30.7	77	–63.8	21.2	137	34.2
Hughes Tool	30.6	79	28.8	33.6	25	51.6
Morrison-Knudsen	30.6	80	48.6	14.5	420	–9.0

growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

company	Earnings Per Share 5-year* average	rank	1978† vs 1975-77	Sales 5-year* average	rank	1978† vs 1975-77
Sambo's Restaurants	30.5%	81	–18.3%	35.9%	22	44.8%
Midland-Ross	30.0	82	29.9	10.2	748	27.6
Handy & Harman	29.9	83	11.4	11.5	656	25.3
Northwest Industries	29.7	84	34.6	15.4	367	48.4
Archer Daniels Midland	29.4	85	–8.1	24.1	91	2.8
Curtiss-Wright	29.4	86	–6.5	3.5	974	–7.6
Kerr Glass Mfg	29.3	87	6.1	11.0	689	16.2
McDonald's	29.2	88	39.8	30.0	43	37.3
Consolidated Papers	29.2	89	78.8	14.8	405	28.7
Idle Wild Foods	29.2	90	113.4	13.1	524	34.9
Pioneer Corp	28.5	91	7.0	33.5	26	29.3
Potlatch	28.4	92	17.5	10.9	697	25.5
Tosco	28.4	93	177.7	60.6	4	44.4
Ogden	28.4	94	21.3	8.0	856	11.1
United Technologies	28.3	95	12.4	16.7	295	23.1
Meredith	28.3	96	40.6	7.8	861	51.9
Dan River	28.2	97	86.9	6.8	893	9.4
Harnischfeger	28.1	98	–28.4	20.2	158	11.8
Alexander & Baldwin	28.0	99	5.5	11.3	670	10.8
Foxboro	27.9	100	15.8	17.1	273	15.3
Federal Co	27.5	101	61.1	16.6	303	38.7
Big Three Industries	27.4	102	36.4	27.1	68	47.3
NVF	27.3	103	103.7	8.6	830	28.9
Air Prods & Chems	27.2	104	23.1	21.4	134	26.5
Dow Chemical	27.2	105	–7.6	20.3	153	18.5
Tyler	27.2	105	26.4	17.7	239	13.9
Blue Bell	27.1	107	4.4	19.0	196	20.4
Fort Howard Paper	27.1	107	15.8	19.3	184	20.5
Sundstrand	26.8	109	45.0	13.8	462	19.2
Continental Airlines	26.7	110	538.2	12.4	576	29.2
Cooper Industries	26.6	111	50.8	20.2	162	36.5
Bird & Son	26.4	112	2.6	16.7	289	27.2
Dean Foods	26.4	113	26.5	11.8	632	23.6
Amsted Industries	26.2	114	42.6	12.7	559	36.1
Dayton-Hudson	26.2	115	151.3	12.1	609	45.9
Varian Associates	26.1	116	16.2	10.9	698	19.9
Denny's	26.1	117	48.0	27.9	61	57.9
General Dynamics	25.9	118	P–D	5.3	937	20.5
Northrop	25.8	119	75.0	16.3	320	40.2
Bruno's	25.7	120	73.0	26.1	72	48.5
Riegel Textile	25.5	121	5.3	10.0	761	4.6
Colonial Penn Group	25.3	122	32.9	28.4	55	40.7
Washington Post	25.2	123	109.1	13.7	472	33.2
Stone Container	25.2	124	–41.1	14.9	397	14.2
Stauffer Chemical	25.1	125	11.5	15.5	358	16.9
Petrie Stores	25.1	126	32.6	17.8	234	25.4
Crown Central Petrol	25.0	127	3.6	25.4	80	15.9
Reserve Oil & Gas	25.0	128	–9.8	40.4	15	12.3
North American Coal	24.9	129	–8.0	24.5	86	–9.1
Central Steel & Wire	24.9	130	11.6	14.6	418	34.0
Sigmor	24.7	131	–2.5	38.2	19	74.0
Hewlett-Packard	24.6	132	32.5	22.0	123	38.2
Parker Pen	24.5	133	51.5	30.2	40	55.9
E F Hutton Group	24.4	134	22.5	20.8	144	55.5
Masco	24.3	135	29.7	28.6	54	37.8
Reynolds Metals	24.3	136	32.3	13.3	499	29.3
Gulf & Western Inds	24.3	137	1.5	14.2	441	34.2
SEDCO	24.1	138	–8.9	23.4	98	38.3
Pay'n Save	24.1	139	9.6	27.6	63	31.4
Peavey	24.1	140	2.7	13.3	508	6.9
Engelhard Minerals	24.0	141	–0.4	28.8	50	29.4
Dillon Companies	24.0	142	38.1	26.0	73	36.2
Hospital Corp of Am	23.9	143	40.0	31.3	32	47.8
UV Industries	23.9	144	40.2	12.8	544	17.3
Braniff Intl	23.9	145	69.2	14.6	412	34.5
Phillips Petroleum	23.9	146	30.9	18.5	211	19.1
American Intl Group	23.8%	147	50.6%	19.5%	177	55.5
Edison Bros Stores	23.7	148	42.1	13.2	519	29.4
Auto Data Processing	23.5	149	49.6	30.7	37	61.2
Metromedia	23.4	150	57.9	9.1	806	27.6
Dresser Industries	23.3	151	16.9	21.3	135	28.8
Bausch & Lomb	23.1	152	35.7	16.2	321	18
Butler Manufacturing	22.9	153	46.3	14.2	449	30.9
Amer Hoist & Derrick	22.8	154	–32.7	12.6	568	7.8
Albertson's	22.8	155	69.0	20.7	148	38.
Chessie System	22.7	156	–39.3	6.6	900	10.
Whittaker	22.7	157	231.7	2.2	982	21.
Humana	22.7	158	86.6	33.1	28	149.
Kimberly-Clark	22.7	159	22.0	10.8	699	15.
Foster Wheeler	22.6	160	75.4	19.3	185	28.
Baxter Travenol	22.4	161	41.4	23.4	96	37.
Koppers	22.4	162	6.5	15.1	385	25.
Northern Natural Gas	22.4	163	–1.2	19.2	186	32.
Westvaco	22.4	164	24.5	14.5	421	25.
Union Camp	22.2	165	6.0	12.3	586	17.
Univar	22.2	166	0.3	17.1	269	8.
Mallinckrodt	22.1	167	18.9	18.9	202	28.
Pennzoil	22.1	168	–7.5	21.9	124	27.
Hilton Hotels	22.0	169	76.5	4.7	950	19.
White Consolidated	21.9	170	12.7	11.8	636	23.
Super Valu Stores	21.9	171	44.2	15.8	341	31.
Walter Kidde	21.8	172	28.7	10.3	733	36.
Missouri Pacific Corp	21.8	173	32.3	13.5	486	26.
Blount	21.8	174	98.1	12.4	579	13.
Kaiser Alum & Chem	21.5	175	67.7	14.3	438	26.
Franklin Mint	21.4	176	–61.8	30.9	34	–6.
Liquid Air of No Amer	21.4	177	8.5	17.7	239	16.
Ametek	21.4	178	25.7	10.9	695	22.
Ashland Oil	21.4	179	64.9	19.4	182	22.
Skaggs Companies	21.3	180	34.4	21.5	131	33.
Crouse-Hinds	21.2	181	18.2	22.9	109	27.
Getty Oil	21.2	182	6.1	17.4	253	10.
Vulcan Materials	21.1	183	42.9	12.6	566	42.
National Distillers	21.1	184	3.2	6.2	913	21.
Eastern Gas & Fuel	21.0	185	–95.1	16.9	283	–5.
Tektronix	20.9	186	72.8	20.2	157	65.
Dexter	20.9	187	38.5	28.8	53	60.
Bucyrus-Erie	20.9	188	21.4	21.2	139	10.
Petrolane	20.9	188	19.0	22.9	107	36.
Thiokol	20.9	188	29.3	10.5	718	32.
American Can	20.8	191	18.0	10.5	719	20.
Arvin Industries	20.8	192	10.6	15.2	375	16.
Carpenter Technology	20.6	193	48.7	12.7	557	34.
Yellow Freight System	20.6	194	21.9	19.0	198	43.
Paine Webber	20.6	195	13.9	18.3	217	68.
Occidental Petroleum	20.5	196	–85.2	16.5	305	7.
Norfolk & Western Ry	20.5	197	–11.6	3.0	977	–9.
J P Stevens	20.5	198	6.5	7.5	871	17
Gt Northern Nekoosa	20.4	199	5.9	15.4	367	15
Amer Broadcasting	20.4	200	84.1	11.4	660	35
Super Food Services	20.3	201	16.3	14.2	449	32
Beckman Instruments	20.2	202	79.1	12.8	548	41
Owens-Corning Fbrgls	20.1	203	68.9	16.2	322	52
Kerr-McGee	20.1	204	–18.7	25.8	74	3
Atlantic Richfield	20.0	205	33.6	21.0	141	32
Roadway Express	20.0	206	27.7	16.4	309	45
Abbott Laboratories	20.0	207	43.9	17.2	267	28
Murphy Oil	19.9	208	–10.7	24.3	88	17
DEKALB AgResearch	19.9	209	–4.0	24.1	90	15
Loews	19.7	210	69.0	29.3	44	14
Carson Pirie Scott	19.6	211	22.7	5.8	924	10
Raytheon	19.6	212	57.0	12.8	552	24

*The growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

company	Earnings Per Share 5-year* average	rank	1978† vs 1975-77	Sales 5-year* average	rank	1978† vs 1975-77
Capital Cities Comm	19.6%	213	59.4%	18.2%	218	52.9%
Jack Eckerd	19.6	213	34.5	26.7	70	60.3
Graniteville	19.6	215	–53.6	13.7	470	–0.6
Peabody Intl	19.6	215	44.7	29.1	45	48.5
Deere	19.5	217	16.8	18.7	207	24.2
International Paper	19.5	218	–11.4	11.7	644	17.0
Anderson, Clayton	19.3	219	6.2	6.9	892	2.1
Allied Stores	19.3	220	13.1	6.0	917	10.6
Standard Oil Ind	19.3	221	16.1	20.0	167	25.0
General Instrument	19.2	222	110.8	8.1	854	14.3
Reichhold Chemicals	19.2	223	–8.8	22.1	120	32.1
Kaiser Steel	19.2	224	P–D	9.3	801	–0.8
Consol Freightways	19.1	225	51.4	12.3	597	47.3
Joy Manufacturing	19.1	226	–20.6	15.1	379	15.0
Monsanto	19.1	226	–12.1	13.9	458	15.5
Flowers Industries	19.1	228	42.7	24.4	87	52.8
Olinkraft	18.9	229	11.0	12.3	600	24.6
Dover Corp	18.9	230	34.6	14.8	408	34.7
Alco Standard	18.9	231	34.8	15.7	348	44.4
Rite Aid	18.9	232	35.2	23.6	94	28.4
Shell Oil	18.9	233	17.9	18.1	222	17.7
Revco D S	18.7	234	64.0	27.6	64	47.7
Commercial Metals	18.7	235	35.3	18.6	209	37.1
West Point-Pepperell	18.7	236	31.2	12.1	610	29.2
Cincinnati Milacron	18.6	237	119.9	11.4	666	29.6
Avnet	18.6	238	8.4	15.1	384	34.5
Philip Morris	18.4	239	42.7	19.4	179	42.4
Leaseway Transportn	18.4	240	36.0	13.1	527	35.0
Pennwalt	18.4	240	25.8	12.2	603	15.7
Lear Siegler	18.4	242	91.9	7.6	865	57.1
Provident Life & Acc	18.4	243	33.1	10.7	708	2.8
Imperial Corp of Am	18.3	244	53.9	20.6	149	40.4
Rexnord	18.3	245	16.2	14.3	437	26.5
K mart	18.3	246	21.3	20.6	150	31.3
Nash Finch	18.2	247	5.6	17.6	242	18.4
Republic of Texas	18.2	248	1.6	21.6	130	47.3
Reliance Electric	18.0	249	20.2	15.8	339	35.7
American Natl Fnl	18.0	250	79.2	9.0	814	18.8
Schering-Plough	17.9	251	23.0	13.6	474	20.1
General Reinsurance	17 8	252	61.2	17.4	251	33.6
Castle & Cooke	17.8	253	20.1	11.6	646	35.0
Caterpillar Tractor	17.8	254	27.5	17.2	263	28.8
Emery Air Freight	17.8	254	34.2	18.8	206	33.4
Pay Less Drug NW	17.7	256	22.2	16.2	323	30.6
Lukens Steel	17.6	257	36.6	11.7	641	13.1
Ideal Basic Inds	17.6	258	49.6	11.1	679	29.2
Lubrizol	17.5	259	43.6	17.4	256	21.5
Time Inc	17.5	260	72.8	12.4	581	42.8
Melville	17.5	261	35.8	17.8	231	37.2
Caldor	17.4	262	44.9	21.2	138	43.1
Dibrell Brothers	17.4	263	25.5	13.9	457	34.4
Farmers Group	17.3	264	44.6	12.3	595	31.4
W R Grace	17.3	264	–1.9	11.5	649	12.7
Longs Drug Stores	17.3	266	24.4	18.4	215	24.4
Sun Company	17.3	267	8.8	22.4	115	33.7
Continental Oil	17.2	268	–5.6	19.6	173	13.3
Standard Oil Ohio	17.2	269	78.0	19.1	193	56.7
Gannett	17.2	270	33.7	15.4	365	46.1
Hanes	17.2	270	30.2	12.3	588	23.3
Federal Paper Board	17.2	272	2.8	14.7	410	11.1
Oklahoma Natural Gas	17.2	273	38.3	30.0	42	57.1
American Stores	17.1	274	17.0	12.1	611	13.4
Interlake	17.1	275	–77.7	14.3	439	23.3
Emhart	17.1	276	38.2	28.1	59	45.6
Dana	16.8	277	44.0	15.4	363	54.5
Envirotech	16.8	277	–33.0	25.3	81	7.0
Gould	16.8%	279	27.0%	23.9%	93	50.1%
Willamette Inds	16.8	280	29.0	19.9	170	35.0
Copperweld	16.8	281	–29.8	14.9	400	31.5
Studebkr-Worthington	16.8	281	138.2	6.7	897	13.2
W W Grainger	16.7	283	41.0	19.2	190	41.3
H J Heinz	16.6	284	34.1	12.6	570	22.7
Walt Disney	16.6	285	35.1	19.2	186	28.2
Echlin Manufacturing	16.6	286	46.1	22.4	113	37.6
Malone & Hyde	16.5	287	30.6	17.1	271	37.9
American Express	16.5	288	52.8	14.9	403	32.6
Sysco	16.5	288	40.2	21.9	126	41.9
Fred Meyer	16.5	290	35.5	18.2	219	20.5
Burroughs	16.5	291	23.7	14.2	446	23.2
Del Monte	16.5	291	0.6	12.1	612	13.6
Union Pacific	16.5	293	31.5	17.0	275	34.5
Georgia-Pacific	16.4	294	36.9	16.1	329	37.6
Ethyl	16.4	295	13.9	14.4	427	18.5
Jim Walter	16.4	296	19.2	12.0	618	31.3
McDonough	16.3	297	24.6	9.1	807	24.2
Texas Instruments	16.3	297	44.7	14.2	447	41.4
U S Fidelity & Gty	16.3	299	105.0	12.7	565	36.9
Allen Group	16.2	300	32.5	13.0	534	11.7
Kay	16.2	301	127.5	23.2	102	17.7
Hammermill Paper	16.2	302	11.0	12.4	584	29.5
St Regis Paper	16.2	302	–1.8	12.8	554	31.5
Harsco	16.1	304	14.9	13.7	467	29.6
Trans World Airlines	16.1	305	D–P	17.6	246	20.4
General Mills	16.1	306	39.5	17.4	252	29.2
Dravo	16.1	307	14.4	16.6	298	10.0
Connecticut General	16.0	308	47.5	12.6	568	27.8
St Paul Companies	15.9	309	67.4	15.2	374	24.1
Genuine Parts	15.9	310	24.6	15.9	336	33.2
Amer Genl Insurance	15.9	311	84.8	13.3	502	20.7
Bluebird	15.9	312	56.3	14.0	453	27.6
Kemper Corp	15.9	313	108.5	19.2	190	37.3
Aetna Life & Cas	15.8	314	97.4	12.2	603	29.3
Amstar	15.8	314	–65.2	13.4	490	–20.3
Gt Western Financial	15.8	314	77.9	13.7	469	39.2
Revlon	15.8	317	40.7	19.0	196	44.2
General Cinema	15.8	318	39.7	17.8	232	42.8
Crown Cork & Seal	15.8	319	36.4	15.7	344	30.9
Nalco Chemical	15.7	320	–12.6	15.3	370	19.8
Chic Bridge & Iron	15.7	321	6.8	10.9	692	–2.2
Union Carbide	15.7	322	–10.6	14.6	419	19.7
Armco	15.6	323	66.1	13.3	504	26.6
CBS	15.6	324	25.6	12.3	588	33.9
First Charter Fnl	15.5	325	44.1	16.6	298	41.0
Kellogg	15.5	326	13.4	15.1	385	18.7
Campbell Taggart	15.5	327	23.1	15.0	390	21.3
Economics Laboratory	15.5	327	32.7	18.5	212	24.1
Hershey Foods	15.5	329	4.3	9.7	775	22.6
Marsh Supermarkets	15.4	330	57.8	11.6	648	20.0
Superior Oil	15.4	331	–33.7	20.3	154	45.9
Lowe's Companies	15.4	332	24.8	17.9	230	25.0
Intl Flavors & Frag	15.4	333	51.0	17.4	255	31.3
Intl Harvester	15.4	333	31.1	11.7	639	13.0
Universal Leaf	15.4	335	19.9	9.7	779	15.0
A-T-O	15.3	336	29.4	6.9	891	19.3
Cutler-Hammer	15.3	337	57.8	11.8	634	21.8
McCormick & Co	15.2	338	5.4	16.4	315	27.6
Southland Corp	15.2	338	33.2	15.0	393	36.4
RCA	15.2	340	52.4	8.3	844	20.1
Waldbaum	15.2	341	–2.2	15.2	376	19.1
Allied Chemical	15.1	342	1.3	13.4	492	19.1
Gordon Jewelry	15.1	343	57.8	12.8	548	42.1
Texas Comm Bshs	15.1	343	31.8	31.0	33	53.5

growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit. D-P Deficit to profit.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

	Earnings Per Share			Sales		
company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77
U S Bancorp	15.0%	345	34.3%	14.2%	441	27.1%
Johnson & Johnson	14.9	346	36.6	16.7	293	30.5
Weis Markets	14.9	346	32.8	13.2	516	24.1
St Joe Minerals	14.9	348	–52.7	30.3	39	–1.9
Esmark	14.9	349	–16.2	9.1	807	7.6
Pullman	14.9	349	51.4	20.5	151	15.6
Union Oil California	14.9	349	6.1	19.1	195	8.8
Pillsbury	14.8	352	41.1	14.6	415	31.0
Dart Industries	14.8	353	27.2	12.3	600	19.5
Heublein	14.8	353	2.4	15.9	335	5.3
Transamerica	14.7	355	65.7	10.3	743	23.4
Santa Fe Industries	14.7	356	13.0	11.8	637	23.6
Marathon Oil	14.7	357	19.4	23.0	106	24.9
Talley Industries	14.7	358	2.6	5.4	933	13.6
Fedl Natl Mortgage	14.6	359	36.3	16.0	330	18.9
Bemis	14.6	360	28.2	8.8	826	10.9
Hanover Insurance	14.5	361	75.1	13.8	460	27.2
Marriott	14.5	361	67.3	19.1	193	37.9
Houdaille Industries	14.5	363	14.2	8.5	836	17.3
Cessna Aircraft	14.5	364	22.0	16.5	306	41.9
Amer Hospital Supply	14.5	365	33.0	16.9	281	26.6
Continental Group	14.5	365	–0.1	10.1	756	13.1
Stop & Shop	14.5	365	15.2	10.3	735	12.6
Witco Chemical	14.4	368	45.0	16.4	315	21.1
Flickinger	14.4	369	13.9	16.8	287	21.8
Ralston Purina	14.4	369	25.6	14.2	445	18.2
Eagle-Picher Inds	14.4	371	21.6	10.9	694	25.1
ERC	14.4	372	109.1	17.0	277	38.5
Hannaford Bros	14.4	373	12.7	15.5	357	19.4
Interpace	14.4	373	12.1	9.3	799	31.7
IBM	14.3	375	24.3	13.3	500	20.8
PepsiCo	14.2	376	29.4	18.2	219	42.5
Bendix	14.2	377	25.7	12.1	612	23.3
National-Standard	14.2	377	24.5	12.4	579	21.2
Citicorp	14.1	379	19.3	23.4	96	35.5
McLean Trucking	14.1	380	5.0	17.6	244	35.2
AMP	14.1	381	76.7	14.9	402	43.0
First Intl Bshs	14.1	382	25.5	27.2	67	40.2
Times Mirror	14.1	383	67.4	13.1	522	41.4
Delta Air Lines	14.0	384	93.9	17.3	260	40.1
PACCAR	14.0	385	66.1	14.6	413	43.7
So Natural Resources	14.0	385	36.4	15.6	353	47.3
Dennison Mfg	14.0	387	32.2	13.1	524	33.3
Ryan Homes	13.9	388	28.7	14.9	398	53.5
Zapata	13.9	388	–56.8	13.6	475	28.1
Seaboard Allied Milling	13.9	390	193.4	17.9	226	–0.3
Marsh & McLennan	13.9	391	34.9	14.7	410	32.4
Hyster	13.8	392	106.3	12.2	606	33.8
Sperry Rand	13.8	392	22.4	11.0	688	16.5
McGraw-Hill	13.8	394	44.4	7.6	867	22.9
Becton, Dickinson	13.8	395	26.6	15.1	383	31.2
Warner Communicatn	13.8	396	75.3	16.5	306	48.0
Knight-Ridder News	13.8	397	49.3	20.8	144	25.5
Hoover Universal	13.7	398	69.8	12.4	576	53.9
Bristol-Myers	13.7	399	21.0	12.4	575	17.9
Carnation	13.7	400	15.3	13.2	509	14.1
Freeport Minerals	13.7	401	–44.3	13.6	477	–1.2
Stanadyne	13.6	402	33.8	11.5	652	41.1
General Signal	13.6	403	38.0	21.0	142	38.6
Ball Corp	13.6	404	21.6	17.5	249	23.1
Chic & North Western	13.6	404	112.4	7.9	857	19.7
United States Steel	13.5	406	–58.9	11.4	662	19.9
CPC International	13.5	407	14.4	13.2	513	12.2
Bergen Brunswig	13.5	408	265.6	10.1	754	17.9
Transway Intl	13.4	409	31.8	8.9	821	28.4
BankAmerica Corp	13.4	410	33.8	16.7	291	29.6
Borden	13.4%	410	17.8%	10.6%	716	8.3
A C Nielsen	13.4	410	39.9	15.0	392	38.2
Norton	13.4	413	54.3	13.0	537	36.8
Merck	13.3	414	15.2	13.5	482	16.6
Circle K	13.3	415	65.9	22.2	118	51.3
Dillingham	13.3	415	P–D	9.5	790	1.8
Rollins Inc	13.2	417	24.2	12.7	560	32.4
Northwest Energy	13.2	418	–21.2	31.4	31	25.7
Colgate-Palmolive	13.2	419	11.7	17.2	262	21.7
Southern Railway	13.1	420	27.3	9.2	804	19.9
Fleming Companies	13.1	421	10.4	17.4	254	21.8
Jefferson-Pilot	13.1	421	31.5	9.6	785	22.8
Upjohn	13.1	423	55.8	16.7	289	26.0
Travelers	13.0	424	113.2	11.5	658	17.9
Intl Multifoods	13.0	425	6.9	10.3	739	5.1
Ohio Casualty	13.0	426	109.5	15.0	390	48.1
Ex-Cell-O	12.9	427	21.2	7.3	879	46.6
Barnes Group	12.9	428	38.1	13.8	463	38.2
Continental Illinois	12.9	429	21.5	22.1	121	34.7
Combined Insurance	12.8	430	26.2	12.4	581	28.1
Capital Holding Corp	12.8	431	23.9	9.3	803	18.7
Cummins Engine	12.8	432	36.5	15.7	346	39.6
Perkin-Elmer	12.8	433	70.3	14.3	436	65.7
SmithKline Corp	12.8	434	94.2	13.9	456	51.1
Eli Lilly	12.7	435	28.4	13.7	468	26.5
Ark Louisiana Gas	12.7	436	17.9	9.9	766	35.0
Safeco	12.7	436	71.6	12.3	590	30.3
Longview Fibre	12.7	438	13.4	12.2	607	14.8
Wells Fargo	12.6	439	43.2	16.7	292	37.7
Keystone Consolidated	12.6	440	–68.7	9.5	793	10.6
North Amer Philips	12.6	440	25.0	22.0	122	25.2
Winn-Dixie Stores	12.6	442	38.7	16.0	332	32.7
Crown Zellerbach	12.6	443	–0.6	14.2	441	17.1
Pacific Resources	12.5	444	15.3	61.7	3	42.2
Godfrey	12.5	445	5.7	12.5	573	16.4
Copeland	12.5	446	51.0	9.7	776	46.8
Kings Dept Stores	12.5	446	31.1	10.8	707	42.8
Parker-Hannifin	12.5	448	27.6	15.6	351	63.1
American Home Prods	12.4	449	21.3	11.2	674	19.4
FMC	12.4	450	26.9	9.6	786	23.1
Wallace-Murray	12.3	451	30.2	9.2	805	39.8
May Dept Stores	12.3	452	15.2	10.0	762	13.7
Michigan National	12.3	453	32.7	13.7	466	33.4
USLIFE	12.3	453	29.1	13.0	529	22.0
Norris Industries	12.3	455	17.3	9.7	780	31.8
Fairchild Industries	12.2	456	220.4	4.5	952	68.7
American Financial	12.2	457	128.3	49.1	8	19.0
Black & Decker	12.2	457	52.4	20.0	169	30.1
Tenneco	12.2	459	3.3	16.9	280	26.7
Morse Shoe	12.1	460	38.1	9.0	817	31.3
Republic Steel	12.1	460	45.3	11.9	628	28.8
Allegheny Ludlum	12.1	462	8.1	11.4	662	41.5
First City Bancorp	12.1	463	28.9	27.8	62	48.4
Oscar Mayer	12.0	464	–19.3	10.4	729	14.9
Genl Tire & Rubber	11.8	465	19.6	12.0	620	8.3
Inland Steel	11.8	466	31.4	12.8	551	28.7
H F Ahmanson	11.8	467	61.9	18.6	208	39.4
J P Morgan & Co	11.8	467	17.7	19.4	179	18.0
Cullum Companies	11.7	469	150.0	25.4	79	31.7
Southwestern Life	11.7	470	20.7	5.3	936	15.4
Cities Service	11.6	471	6.0	16.1	327	19.2
Emerson Electric	11.6	471	40.4	16.7	296	43.1
VF Corp	11.6	473	16.7	10.2	748	8.0
NLT	11.6	474	16.1	8.4	841	17.0
Johnson Controls	11.5	475	62.7	10.1	753	34.0
Moore Corp	11.5	476	19.3	19.2	192	19.0

*The growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

	Earnings Per Share			Sales		
company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77
Motorola	11.5%	477	49.1%	9.4%	794	35.0%
Seafirst	11.5	477	36.1	16.8	286	38.4
Mfrs Hanover Corp	11.5	479	10.6	21.3	136	26.2
Illinois Tool Works	11.4	480	49.7	13.0	531	34.0
Martin Marietta	11.4	481	50.6	5.3	934	33.0
General Electric	11.4	482	30.6	10.3	737	22.1
RR Donnelley & Sons	11.3	483	30.9	11.5	653	28.2
Nationwide Corp	11.3	484	49.8	10.8	703	24.2
TRW	11.3	484	32.4	11.7	642	23.7
PPG Industries	11.2	486	–6.6	11.7	642	21.8
Wetterau	11.2	487	10.3	15.1	379	9.4
George A Hormel	11.2	488	20.2	8.7	828	16.8
Celanese	11.2	489	40.9	10.6	717	18.1
Centl Louisiana Engy	11.2	490	5.7	28.9	49	74.6
Beatrice Foods	11.1	491	18.1	17.6	243	25.0
R H Macy	11.1	492	49.5	9.0	817	27.4
Continental Corp	11.1	493	103.4	9.8	773	22.2
Maryland Cup	11.1	493	34.4	15.0	393	29.3
Eltra	11.1	495	15.0	10.5	720	18.5
Champion Intl	11.1	496	34.8	11.1	684	19.8
Northwest Airlines	11.1	496	16.0	14.3	432	–11.8
Consolidated Edison	11.1	498	5.1	16.0	334	5.6
Harris Corp	11.0	499	135.3	10.0	759	65.5
Chesebrough-Pond's	11.0	500	22.7	18.1	223	22.7
Mercantile Stores	11.0	501	19.0	11.7	640	22.5
Williams Companies	10.9	502	–67.2	20.3	155	53.8
uburban Propane Gas	10.9	503	12.4	22.5	112	32.0
Ferro	10.9	504	32.4	15.5	356	25.5
Howard Johnson	10.9	504	20.3	8.3	847	17.8
Business Men's Assur	10.9	506	264.3	7.1	886	2.0
Lucky Stores	10.8	507	30.1	14.9	398	27.2
Alcoa	10.8	508	89.8	12.5	572	31.7
Texas Gas Transmn	10.8	508	11.4	13.2	516	31.2
Pac Gamble Robinson	10.8	510	18.2	12.3	597	12.5
United States Shoe	10.8	510	47.5	10.8	699	37.3
Procter & Gamble	10.8	512	32.2	15.3	369	27.6
Combustion Engnrng	10.7	513	36.6	12.0	620	23.3
Saga Corp	10.7	513	34.8	21.2	140	38.7
Mobil	10.7	515	17.2	24.1	91	27.5
Reeves Brothers	10.7	515	73.4	6.4	906	38.2
Crum & Forster	10.7	517	118.9	12.9	540	30.9
Pfizer	10.6	518	24.3	13.4	488	22.4
Sheller-Globe	10.6	519	–10.0	15.6	350	24.7
Standard Oil Calif	10.6	520	14.3	27.5	66	16.0
Northwest Bancorp	10.5	521	30.2	15.3	370	36.4
Alcan Aluminium	10.5	522	194.7	13.1	527	29.8
Kroger	10.5	522	53.7	10.0	760	24.1
Texasgulf	10.5	524	–49.8	14.0	455	18.3
Louisiana-Pacific	10.4	525	86.0	20.8	143	66.4
Sun Chemical	10.4	526	150.3	16.4	314	26.6
Coca-Cola	10.4	527	25.5	13.1	523	31.4
Timken	10.3	528	28.0	14.4	431	18.2
Exxon	10.2	529	–1.2	20.2	159	17.2
Louisiana Land	10.2	530	2.5	22.2	119	43.6
First Chicago Corp	10.2	531	16.8	21.8	128	23.6
American Petrofina	10.1	532	–35.3	28.1	56	6.0
Weyerhaeuser	10.1	533	27.7	13.7	473	25.7
ederated Dept Stores	10.1	534	11.3	12.3	594	19.4
Panhandle Eastern	10.1	535	12.9	15.1	387	47.1
Adolph Coors	10.0	536	–20.8	13.2	513	5.7
R J Reynolds Inds	10.0	537	17.5	15.6	354	13.9
ACF Industries	10.0	538	12.4	12.7	557	22.3
Owens-Illinois	9.9	539	2.7	10.7	711	17.2
Atlanta Gas Light	9.9	540	38.9	12.3	592	42.0
Fed-Mart	9.9	540	–55.0	16.9	281	48.9
Liberty Natl Life	9.9	542	22.9	9.9	765	16.0
Minn Mining & Mfg	9.9%	542	53.8%	13.0%	531	26.6%
Cyclops	9.8	544	374.4	12.0	618	32.0
Squibb	9.8	545	9.3	9.8	771	19.1
Amer Medical Intl	9.8	546	88.3	24.6	85	43.3
Kraft	9.8	546	21.9	10.7	709	11.1
Stanley Works	9.8	546	47.4	10.9	693	28.8
Campbell Soup	9.7	549	23.6	10.2	746	23.8
Central Tel & Utils	9.7	550	18.3	13.1	521	47.3
Wm Wrigley Jr	9.7	551	6.7	13.2	516	15.0
Coastal States Gas	9.7	552	–9.2	38.8	18	44.5
Centex	9.6	553	55.8	16.9	283	50.4
Xerox	9.6	554	32.7	16.6	297	26.1
Harris Bankcorp	9.6	555	–10.0	15.2	377	28.6
Purex Industries	9.6	556	11.8	6.3	909	21.6
Peoples Gas	9.6	557	12.2	17.1	268	49.9
Charter Company	9.6	558	45.0	31.5	30	49.1
Certain-teed	9.6	559	45.8	15.8	339	30.6
Harcourt Brace Jovan	9.6	559	–17.8	15.0	393	38.6
Federal-Mogul	9.5	561	76.0	9.1	807	26.9
Giant Food	9.5	562	5.8	9.9	766	12.5
Signode	9.5	562	37.4	12.8	547	30.4
Avery International	9.4	564	45.2	17.7	239	30.3
Royal Crown Cos	9.4	565	–24.4	15.8	338	28.5
Standard Brands	9.4	566	7.0	12.0	617	22.2
Franklin Life Ins	9.3	567	12.3	8.7	827	15.4
Gulf Oil	9.3	567	–5.8	19.5	174	9.5
Ford Motor	9.3	569	75.6	11.8	633	37.8
Briggs & Stratton	9.2	570	50.8	12.2	602	40.1
Dow Jones	9.2	571	33.9	13.0	534	24.7
Southwestern Pub Svc	9.2	572	7.7	19.5	177	51.4
ENSERCH	9.2	573	–10.6	30.9	34	49.0
Consol Natural Gas	9.1	574	9.9	12.9	538	28.4
Republic Natl Life	9.1	575	73.4	3.6	972	22.3
Dun & Bradstreet Cos	9.1	576	31.7	10.8	706	20.6
Stokely-Van Camp	9.1	577	20.7	10.0	758	8.8
H H Robertson	9.1	578	2.5	7.1	886	9.7
Supermarkets General	9.0	579	46.8	11.2	675	14.7
Quaker Oats	9.0	580	53.8	15.5	361	17.7
Wachovia Corp	9.0	581	13.6	11.5	656	18.9
Cabot	8.9	582	141.2	14.9	403	48.0
CleveTrust Corp	8.8	583	20.3	13.3	498	21.2
Quaker State Oil	8.7	584	–11.3	20.8	144	24.5
Texas Eastern	8.7	585	13.1	17.1	272	21.3
Insilco	8.7	586	26.5	4.9	946	15.6
IC Industries	8.7	587	19.1	14.6	415	29.7
MBPXL	8.7	588	42.7	13.1	520	44.5
Warner-Lambert	8.6	589	19.1	12.3	592	16.9
General Foods	8.6	590	18.4	13.7	470	16.9
Interco	8.6	590	10.5	11.2	676	13.8
Stewart-Warner	8.6	592	26.5	7.4	875	19.0
Sav-On-Drugs	8.5	593	32.7	12.5	574	29.2
Richardson-Merrell	8.5	594	15.6	12.9	543	33.3
Tecumseh Products	8.5	595	46.4	6.2	911	38.1
Textron	8.5	596	37.0	9.1	810	15.6
Brockway Glass	8.4	597	17.4	14.6	415	27.2
First Bank System	8.4	598	29.2	14.3	433	33.9
Square D	8.4	599	36.4	12.9	540	28.1
Eaton	8.4	600	55.7	10.7	713	36.6
Dayco	8.4	601	30.3	8.4	842	28.6
Natl Detroit Corp	8.4	601	25.4	11.9	627	20.7
General Cable	8.3	603	37.1	5.8	925	75.4
Trans Union	8.3	604	26.2	23.2	103	22.2
Southern Union	8.3	605	4.8	30.2	41	29.2
Borg-Warner	8.3	606	55.4	9.1	813	21.5
Charter New York	8.3	606	15.6	14.8	405	22.1
Foremost-McKesson	8.3	608	34.9	7.9	859	16.7

The growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator. 6.8%

	Earnings Per Share			Sales				Earnings Per Share			Sales		
company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77	company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† 1975-
Avon Products	8.3%	609	29.4%	11.1%	679	29.6%	Seagram	6.4%	674	12.3%	6.3%	908	10.6
Nabisco	8.2	610	35.0	13.4	491	6.0	Anchor Hocking	6.3	676	31.9	12.6	566	17.8
Norton Simon	8.2	611	26.5	10.4	726	44.3	Fruehauf	6.3	676	67.9	23.1	105	43.8
Gifford-Hill	8.2	612	96.6	16.7	293	26.7	Seaboard Coast Line	6.3	676	–10.3	13.3	502	19.7
Northern Trust	8.1	613	0.6	14.7	409	24.8	Servomation	6.3	679	46.5	6.6	901	14.4
Safeway Stores	8.1	613	9.0	13.8	460	16.9	General Motors	6.2	680	38.2	10.8	702	31.8
Security Pacific	8.1	615	52.5	17.2	264	34.0	Armstrong Rubber	6.1	681	2.4	10.0	764	15.0
Sunbeam	8.1	616	9.8	15.1	382	17.1	Wisconsin Pub Svc	6.1	681	19.7	17.0	274	22.7
Strawbridge & Clothier	8.1	617	7.2	9.1	811	21.4	INA	6.1	683	90.5	16.9	279	35.4
Fieldcrest Mills	7.9	618	54.3	9.0	816	27.9	Champion Spark Plug	6.1	684	20.3	9.3	799	26.1
American Tel & Tel	7.8	619	26.4	11.5	658	22.1	Chemical New York	6.1	684	3.1	20.3	156	25.1
N L Industries	7.8	620	7.1	8.1	854	29.4	Polaroid	6.1	684	43.9	12.7	564	34.7
United Telecom	7.8	620	24.7	13.8	459	25.8	Houston Industries	6.1	687	14.0	21.5	133	52.2
Fisher Foods	7.8	622	–1.9	20.2	159	1.1	Northwestern Steel	6.1	687	86.1	12.7	561	46.6
Scott & Fetzer	7.7	623	39.0	13.3	504	22.5	Chubb	6.1	689	81.0	13.1	524	17.3
BanCal Tri-State	7.7	624	188.6	10.5	723	18.9	Dynalectron	6.0	690	–80.0	22.9	108	34.3
Amerace	7.7	625	18.7	7.0	889	22.7	CFS Continental	5.8	691	–20.9	23.2	103	34.2
Hanna Mining	7.7	625	–66.0	10.9	695	–10.2	Merrill Lynch & Co	5.8	692	–15.4	12.7	561	32.7
Del E Webb	7.7	627	80.9	4.9	948	32.3	American Greetings	5.7	693	29.2	11.3	673	18.8
American Cyanamid	7.7	628	5.4	11.3	668	23.7	Honeywell	5.7	693	52.1	7.6	869	22.9
Household Finance	7.7	628	9.9	12.0	614	24.1	Diamond Intl	5.7	695	–3.1	9.4	797	20.0
New York Times	7.7	628	0.2	9.4	794	13.7	Nashua	5.7	696	155.5	20.1	164	36.4
Garfinckel Brooks Bros	7.6	631	21.1	10.2	747	27.0	Wisconsin Elec Power	5.6	697	17.5	12.4	584	25.0
Sybron	7.6	632	5.0	9.9	769	4.4	Maytag	5.6	698	9.0	8.3	847	13.
Amer Nat Resources	7.5	633	16.4	15.7	347	43.4	BancOhio Corp	5.5	699	16.2	16.6	300	24.0
Ingersoll-Rand	7.5	634	9.7	17.6	244	17.9	Sterling Drug	5.5	699	9.7	10.3	742	18.4
Corning Glass Works	7.5	635	49.7	9.5	791	16.8	Reliance Group	5.5	701	1,335.2	11.2	677	24.0
Thriftimart	7.5	635	2,300.0	4.3	955	2.5	Whirlpool	5.5	702	32.7	5.4	932	24.4
United Refining	7.4	637	49.7	34.3	24	7.3	Turner Construction	5.4	703	0.2	4.4	954	9.8
Hyatt Corp	7.4	638	283.6	15.6	349	31.7	Carrier	5.4	704	130.7	13.0	530	69.8
ConAgra	7.4	639	54.6	14.4	426	5.9	New England G & E	5.4	704	15.3	17.7	236	5.7
Chromalloy American	7.4	640	43.1	15.8	341	39.1	American Brands	5.4	706	33.1	8.5	837	17.1
A H Robins	7.4	641	10.8	12.8	552	24.4	Oxford Industries	5.4	707	25.9	9.3	801	6.7
Gerber Products	7.4	642	14.6	8.8	824	16.0	Amerada Hess	5.4	708	–20.7	25.1	82	20.2
Macmillan	7.3	643	21.4	4.6	951	10.7	Brunswick	5.4	709	37.2	11.0	687	18.4
National Gypsum	7.3	643	92.8	8.1	853	37.7	Bank of New York	5.3	710	7.9	11.6	645	35.4
Fischbach & Moore	7.3	645	12.5	13.4	497	6.0	Texas Utilities	5.2	711	16.2	17.4	256	41.4
Dean Witter Reynolds	7.1	646	–9.4	13.4	488	99.3	Warner & Swasey	5.2	711	17.1	10.3	737	10.4
Lincoln Natl Corp	7.1	647	63.2	12.0	615	28.1	B F Goodrich	5.2	713	62.6	8.8	823	14.
Clark Equipment	7.1	648	29.0	10.7	711	6.2	Gino's	5.1	714	10.0	18.2	221	18.0
Massey-Ferguson	7.1	649	P–D	17.6	246	9.1	IU International	5.1	715	9.1	13.5	485	26.
Rockwell Intl	7.1	650	40.0	15.2	373	6.3	Union Bancorp	5.1	715	71.7	–0.9	996	27.
ARA Services	7.0	651	19.7	12.6	570	25.7	Cannon Mills	4.9	717	34.0	6.7	896	18.
So Calif Edison	7.0	651	–10.4	17.4	256	22.4	City Investing	4.9	718	132.2	11.4	667	37.
Kane-Miller	7.0	653	–76.6	16.4	313	17.4	Kuhn's-Big K Stores	4.9	719	–98.0	23.5	95	42.
J C Penney	6.9	654	21.2	11.8	631	23.6	Washington Natl Corp	4.7	720	55.3	18.5	214	43.
Central Soya	6.9	655	31.4	18.4	216	13.8	Flintkote	4.7	721	133.2	6.1	915	37.
Ryder System	6.9	655	91.8	20.1	163	40.7	Pa Power & Light	4.7	722	–1.5	16.2	324	22.
U S Gypsum	6.9	657	155.2	12.4	581	37.3	National Fuel Gas	4.6	723	12.7	15.3	372	31.
Western Bancorp	6.9	658	58.3	12.7	561	29.8	National Svc Inds	4.6	724	41.0	7.5	872	25.
Gray Drug Stores	6.8	659	34.3	10.8	699	25.8	Anheuser-Busch	4.6	725	40.4	13.8	465	30.
Public Service Ind	6.8	660	–3.3	14.1	451	30.1	Lone Star Industries	4.6	726	58.8	13.8	463	42.
Scott Paper	6.8	661	–3.1	11.5	653	21.9	F W Woolworth	4.5	727	19.2	11.9	624	15.
Mellon National Corp	6.7	662	20.5	15.4	365	13.1	McGraw-Edison	4.5	728	26.3	7.4	877	14.
Florida Power & Lt	6.6	663	35.1	20.1	165	24.6	Central & South West	4.5	729	23.4	18.9	199	38.
NICOR	6.6	664	54.2	18.5	213	35.5	National Steel	4.5	730	31.7	13.2	510	27.
Johns-Manville	6.6	665	66.8	13.2	512	23.7	Clorox	4.4	731	23.0	23.3	99	50.
Eastman Kodak	6.6	666	25.4	11.4	661	20.6	Springs Mills	4.2	732	33.1	10.3	735	11.
Hobart	6.6	666	14.2	12.0	620	19.7	Fleetwood Enterprises	4.1	733	98.1	19.2	189	77.
Tampa Electric	6.6	668	27.0	21.5	132	28.7	Tiger International	4.1	734	91.4	18.9	203	45.
Maremont	6.5	669	24.2	4.3	955	7.2	Carter Hawley Hale	4.1	735	7.4	12.3	599	39.
General Tel & Elec	6.5	670	28.3	11.5	649	23.7	Sears, Roebuck	4.0	736	22.5	8.4	839	17.
St Louis-San Fran Ry	6.5	670	69.2	7.9	859	20.8	Pacific Pwr & Lt	4.0	737	16.1	17.8	233	41.
Amfac	6.5	672	50.0	16.0	330	16.5	Zale	4.0	738	13.5	9.0	815	20.
Arizona Public Serv	6.4	673	20.2	19.4	183	28.3	So New England Tel	3.9	739	38.0	9.9	766	23.
Browning-Ferris Inds	6.4	674	87.1	14.6	413	28.1	Walgreen	3.9	740	78.7	7.0	888	3.

*The growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

company	Earnings Per Share 5-year* average	rank	1978† vs 1975-77	Sales 5-year* average	rank	1978† vs 1975-77
Carolina Pwr & Lt	3.9%	741	27.4%	21.8%	127	29.5%
Pay Less Drug (Cal)	3.9	742	–40.4	13.6	478	5.9
Green Giant	3.9	743	30.5	11.9	628	16.4
Columbia Gas System	3.9	744	12.7	14.4	429	37.5
New England Electric	3.9	745	22.2	14.3	435	8.1
Kellwood	3.8	746	74.8	8.6	833	22.8
Koehring	3.7	747	60.5	6.0	922	14.0
Crocker Natl Corp	3.7	748	36.0	15.6	352	29.9
Armstrong Cork	3.6	749	23.1	10.3	739	23.6
Burlington Inds	3.6	750	–10.3	4.3	957	9.5
Cleveland Elec Illum	3.5	751	–8.4	16.3	317	22.1
Duke Power	3.5	751	19.0	19.2	188	24.6
Wisconsin Gas	3.5	753	19.3	14.2	448	28.4
Gulf United	3.4	754	49.7	11.2	678	20.0
Long Island Lighting	3.4	754	7.1	16.1	326	19.8
N Y State Elec & Gas	3.4	756	17.9	13.4	495	29.7
Westinghouse Elec	3.4	756	37.8	5.6	927	8.2
DeSoto	3.4	758	33.4	4.5	953	14.8
Trane	3.4	759	42.8	11.5	655	21.6
AMAX	3.4	760	–51.2	6.4	905	37.0
Florida Power	3.4	760	11.8	24.9	83	27.7
Alterman Foods	3.3	762	84.1	12.8	544	33.7
Potomac Elec Power	3.2	763	13.0	17.9	228	23.6
Niagara Mohawk Pwr	3.2	764	5.4	13.5	481	16.1
Allied Van Lines	3.1	765	–25.9	9.9	770	30.5
Middle South Utils	3.1	766	24.2	17.7	235	36.1
No States Power	2.9	767	15.0	14.3	434	25.6
Hiram Walker	2.9	767	33.8	4.0	961	16.4
Hunt Intl Resources	2.9	769	P–D	12.2	603	–20.4
Philadelphia Natl	2.8	770	5.4	16.1	325	26.6
E I du Pont	2.7	771	63.7	12.3	595	22.5
Lane Bryant	2.7	772	13.3	5.3	935	5.4
Hercules	2.7	773	28.7	12.8	554	18.7
Masonite	2.7	773	134.0	13.3	500	41.7
Gillette	2.7	775	13.7	13.4	495	10.7
Intl Tel & Tel	2.7	775	15.4	10.3	739	19.2
Pacific Lighting	2.7	775	23.3	11.1	682	34.7
Oklahoma Gas & Elec	2.7	778	13.7	17.9	226	45.2
Beneficial Corp	2.6	779	0.7	6.4	907	10.0
Walter E Heller Intl	2.6	780	11.4	8.1	852	23.5
Laclede Gas	2.6	781	35.6	13.3	504	51.0
Pamida	2.6	782	–30.0	19.7	172	15.0
National Airlines	2.5	783	164.3	8.8	822	56.9
First Natl Boston	2.5	784	33.4	17.6	246	38.5
P R Mallory	2.5	784	19.8	11.3	668	25.4
Chase Manhattan	2.5	786	15.8	19.5	176	28.5
Columbus & So Ohio	2.3	787	–45.0	17.7	238	24.2
Fairmont Foods	2.3	788	–15.1	7.3	879	2.9
Holiday Inns	2.3	789	42.4	7.6	868	16.9
Rochester Gas & Elec	2.3	790	14.4	11.7	638	18.9
Libbey-Owens-Ford	2.2	791	33.2	9.6	783	27.1
CIT Financial	2.2	792	–11.4	6.0	921	14.0
Jewel Companies	2.1	793	2.5	10.5	720	11.5
G C Murphy	2.1	794	–37.8	7.6	869	10.5
Utah Power & Light	2.1	794	3.4	20.0	167	49.6
Brooklyn Union Gas	2.1	796	24.9	14.8	407	25.1
Inco Ltd	2.1	797	–66.2	15.5	359	9.5
Continental Tel	2.1	798	25.3	10.3	743	33.3
Magic Chef	2.1	799	141.6	11.8	634	40.6
Ticor	2.0	800	84.9	14.9	400	59.1
NCNB	1.9	801	51.6	15.0	389	21.8
Gas Service	1.9	802	43.0	11.8	630	34.8
So Carolina E & G	1.9	803	15.6	18.8	205	31.5
McDonnell Douglas	1.8	804	41.0	6.2	910	17.7
Bankers Trust NY	1.8	805	20.1	17.0	275	22.5
Purolator	1.8	805	–13.9	11.9	624	17.8
Brown Group	1.8%	807	57.2%	10.3%	743	14.8%
Edward Hines Lumber	1.7	808	90.3	10.7	713	39.7
General Public Utils	1.7	809	3.9	16.5	306	19.9
Frederick & Herrud	1.6	810	–47.3	28.1	57	48.7
Gulf States Utils	1.6	810	5.2	17.2	265	49.0
Gamble-Skogmo	1.6	812	10.3	4.2	959	15.2
Savannah Foods	1.5	813	–54.1	13.5	483	–14.5
CNA Financial	1.4	814	211.5	6.0	919	14.2
San Diego Gas & Elec	1.4	815	28.7	19.8	171	31.8
Southern Pacific	1.4	815	–10.0	7.3	881	17.7
Baltimore Gas & Elec	1.4	817	15.5	14.4	428	27.5
Toledo Edison	1.4	817	–3.3	16.9	278	42.1
Gardner-Denver	1.4	819	64.5	16.8	288	34.9
Texaco	1.3	820	–13.0	26.6	71	4.7
Collins & Aikman	1.3	821	10.1	9.8	772	19.6
Union Electric	1.3	821	10.2	14.3	439	29.7
Pacific Gas & Elec	1.3	823	1.8	16.4	309	17.6
Transco Companies	1.2	824	2.8	9.8	773	30.6
Control Data	0.9	825	56.3	12.7	556	26.7
Consolidated Foods	0.9	826	60.4	11.1	679	41.3
Congoleum	0.8	827	253.1	8.3	850	54.2
Washington Gas Light	0.7	828	15.6	13.0	534	30.3
Greyhound	0.7	829	–24.9	8.9	819	11.6
Pub Svc Elec & Gas	0.6	830	8.6	16.0	332	17.4
Roper Corp	0.6	831	52.0	9.4	796	23.1
Allegheny Power	0.6	832	–28.0	17.5	249	22.1
Southwest Forest Inds	0.6	832	148.2	15.8	343	8.7
Peoples Drug Stores	0.5	834	95.9	7.6	866	21.6
Associated Dry Goods	0.4	835	–21.5	8.6	834	5.0
Goodyear	0.3	836	20.8	10.1	756	20.1
Consumers Power	0.3	837	–5.5	17.1	270	19.3
Commonwealth Edison	0.1	838	8.5	13.5	487	24.1
Girard	0.1	839	47.5	13.3	507	14.3
Hart Schaff & Marx	0.0	840	41.8	6.1	915	14.5
Illinois Power	–0.1	841	8.1	14.0	454	35.7
Avondale Mills	–0.1	842	4.7	9.6	788	10.4
Cincinnati G & E	–0.2	843	11.8	14.4	429	33.1
National Can	–0.2	844	–73.4	15.4	364	8.2
Northeast Utilities	–0.3	845	–19.2	12.9	542	10.1
Revere Copper	–0.3	845	D–P	6.7	898	30.7
Liggett Group	–0.4	847	97.4	3.8	968	11.6
No Indiana Pub Svc	–0.4	848	–21.9	15.1	381	37.5
Culbro	–0.5	849	–76.6	7.5	874	10.3
Equifax	–0.5	850	–8.4	6.5	904	18.1
Delmarva Power & Lt	–0.6	851	25.1	17.3	260	21.7
Levitz Furniture	–0.6	851	126.2	13.2	510	29.4
Outboard Marine	–0.6	851	8.2	9.3	798	23.5
American Elec Power	–0.6	854	–4.6	18.9	201	24.2
Pabst Brewing	–0.6	855	–53.4	11.0	689	2.2
Central Ill Pub Svc	–0.7	856	–4.4	16.1	327	38.9
Va Electric & Power	–0.8	857	2.1	21.7	129	24.8
Amer Re-Insurance	–0.9	858	211.2	12.3	590	17.5
A O Smith	–1.0	859	202.7	6.2	914	28.9
Public Service Colo	–1.1	860	–16.9	16.4	311	29.0
Marshall Field	–1.2	861	–7.5	6.2	912	13.4
Ohio Edison	–1.2	862	–36.6	16.3	319	23.4
Southern Company	–1.4	863	–23.1	20.7	147	25.5
Tesoro Petroleum	–1.5	864	P–D	43.0	13	22.4
Cluett, Peabody	–1.6	865	23.9	2.1	983	1.3
Wheeling-Pitts Steel	–1.6	866	D–D	10.7	713	20.8
El Paso Company	–1.8	867	–38.1	9.1	811	28.8
Western Union	–1.8	868	13.6	7.5	873	10.9
Phila Electric	–1.8	869	–12.2	15.6	355	13.9
Dayton Power & Light	–1.9	870	–14.9	15.2	377	29.5
Morton-Norwich	–1.9	871	179.6	10.4	727	16.7
Coca-Cola Bottling NY	–2.0	872	13.5	13.4	493	35.9

The growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit. D-P Deficit to profit. D-D Deficit to deficit.

Who's Where In Growth

Corresponding Annual Change in GNP Price Deflator: 6.8%

	Earnings Per Share			Sales				Earnings Per Share			Sales		
company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77	company	5-year* average	rank	1978† vs 1975-77	5-year* average	rank	1978† vs 1975-77
Rohm & Haas	–2.2%	873	170.4%	14.2%	441	12.8%	Rapid-American	–42.8%	940	764.3%	0.3%	988	4.3%
Chic Pneumatic Tool	–2.3	874	56.2	10.9	691	26.2	Shopwell	P–Z	941	700.0	7.8	862	–3.0
Thrifty Corp	–2.5	875	48.7	11.3	671	22.5	Amer Beef Packers	P–D	942	D–D	–0.7	994	–41.4
J Weingarten	–2.5	876	P–D	9.6	788	12.2	American Motors	P–D	942	D–P	13.0	533	13.5
Olympia Brewing	–2.5	877	25.4	18.6	210	14.2	Champion Home	P–D	942	D–D	5.5	930	23.8
Detroit Edison	–2.7	878	–2.9	15.4	362	21.9	Chrysler	P–D	942	P–D	9.7	780	–1.5
Zayre	–2.7	879	42.9	8.1	851	14.2	City Stores	P–D	942	D–P	–1.0	998	–12.4
Duquesne Light	–2.8	880	–38.2	17.3	259	22.1	Commonwealth Oil	P–D	942	D–D	27.1	69	–1.8
Jos Schlitz Brewing	–2.8	881	–75.7	11.0	685	–4.9	Cook United	P–D	942	–47.1	–7.3	1004	–1.5
Evans Products	–2.9	882	101.4	4.0	960	33.0	Daylin	P–D	942	D–P	–1.0	997	8.3
Wickes	–3.0	883	270.6	12.9	538	35.6	Fedders	P–D	942	D–D	–1.3	999	21.4
U S Home	–3.5	884	146.6	16.6	302	57.8	General Host	P–D	942	D–P	5.6	929	13.8
Alexander's	–3.6	885	10.5	5.1	943	16.3	Genesco	P–D	942	D–D	–3.4	1000	–1.0
A B Dick	–3.7	886	25.8	12.0	616	13.7	Govt Employees Ins	P–D	942	D–P	8.7	829	4.9
Southeast Banking	–3.7	887	62.8	22.8	110	26.7	Great Atl & Pac Tea	P–D	942	P–D	3.3	975	4.8
NN Corp	–4.0	888	502.1	12.3	586	40.6	Intl Foodservice	P–D	942	D–D	13.6	479	7.7
Firestone	–4.2	889	–96.5	9.6	783	17.3	Intl Systems	P–D	942	D–D	16.9	283	–13.6
Mohasco	–4.5	890	4.6	10.0	762	14.7	Litton Industries	P–D	942	P–D	7.1	885	7.1
Investors Div Svcs	–4.7	891	0.9	8.6	832	26.5	M Lowenstein & Sons	P–D	942	D–P	3.9	966	16.7
Central Illinois Lt	–4.8	892	8.9	17.9	229	36.7	Lykes	P–D	942	D–D	11.6	647	14.2
Boston Edison	–4.9	893	18.0	16.5	304	12.7	National Kinney	P–D	942	D–D	–4.2	1001	–2.2
Rose's Stores	–5.0	894	32.4	12.8	548	13.8	Penn-Dixie Inds	P–D	942	D–D	5.1	940	13.4
AMF	–5.5	895	14.4	7.9	858	15.6	Philips Industries	P–D	942	D–P	3.5	973	25.0
Simmons	–5.9	896	–51.4	7.8	864	9.2	Pueblo International	P–D	942	D–P	–0.2	991	–44.1
First Penna Corp	–6.3	897	20.7	14.9	396	24.7	Rath Packing	P–D	942	D–D	5.0	945	–14.0
First Wisconsin Corp	–6.4	898	27.1	12.4	576	24.5	Rohr Industries	P–D	942	D–P	3.9	962	–22.5
GATX	–6.4	899	–37.2	10.5	725	5.2	Scot Lad Foods	P–D	942	P–D	8.4	842	2.1
G D Searle	–6.6	900	P–D	22.4	113	11.8	Shop Rite Foods	P–D	942	D–D	1.6	986	–32.7
Manhattan Industries	–7.3	901	30.0	7.2	884	17.5	Singer	P–D	942	D–P	1.1	987	12.1
Sherwin-Williams	–7.4	902	P–D	10.1	750	16.3	Tappan	P–D	942	–73.0	7.4	876	1.2
Bethlehem Steel	–8.0	903	D–P	10.8	703	13.3	United Brands	P–D	942	56.5	8.4	840	27.9
Sperry & Hutchinson	–8.1	904	39.8	2.9	979	25.2	United Merch & Mfrs	P–D	942	D–P	2.1	984	–32.4
Newmont Mining	–8.3	905	–84.5	17.2	266	13.6	Vornado	P–D	942	D–D	2.9	978	–16.7
Hoover Co	–8.3	906	81.9	7.3	881	12.1	Warnaco	P–D	942	D–P	7.0	890	3.2
Fidelcor	–8.5	907	P–D	12.8	546	7.4	White Motor	P–D	942	D–D	5.6	928	–11.9
Skyline	–9.0	908	123.4	1.8	985	59.2	Allied Supermarkets	D–D	975	D–D	–0.6	993	–19.6
Cyprus Mines	–9.5	909	263.2	10.7	710	–13.8	Arden-Mayfair	D–D	975	D–P	–4.9	1002	–8.8
Saxon Industries	–9.8	910	6.9	11.0	685	17.2	Arlen Realty & Dvpt	D–D	975	D–D	0.2	989	–4.8
Scovill Mfg	–9.9	911	38.8	4.2	958	26.3	Chicago Rock Island	D–D	975	D–D	3.7	971	5.7
Jonathan Logan	–10.3	912	7.1	3.9	967	7.8	First Natl Supermkts	D–D	975	D–D	2.8	980	–4.3
Uniroyal	–10.4	913	P–D	6.7	895	11.7	Hartfield-Zodys	D–D	975	151.8	5.1	941	42.4
Ceco	–10.6	914	–40.4	6.0	917	22.2	National Tea	D–D	975	D–P	–5.2	1003	–12.1
Di Giorgio	–11.6	915	103.9	10.5	722	22.0	Ward Foods	D–D	975	D–P	–0.7	995	–1.8
Ramada Inns	–11.7	916	84.2	15.7	344	19.8	Allegheny Airlines	D–P		547.3	16.4	312	27.6
Fuqua Industries	–11.9	917	417.0	14.1	452	155.5	American Airlines	D–P		192.9	10.5	723	32.5
Bell & Howell	–12.0	918	290.4	6.6	899	23.6	American Bakeries	D–P		–21.2	6.6	901	12.1
Munford	–12.1	919	P–D	14.5	421	–12.1	American Standard	D–P		74.1	3.7	970	20.2
Monfort of Colorado	–12.1	920	–24.5	10.1	751	29.2	Ampex	D–P		103.0	–0.6	992	32.1
Norin	–12.7	921	65.0	2.5	981	5.8	Bangor Punta	D–P		71.2	5.6	926	78.5
Phelps Dodge	–12.8	922	–36.6	3.9	965	10.7	Boise Cascade	D–P		52.2	4.7	949	33.7
Clark Oil & Refining	–12.9	923	16.2	20.0	166	28.1	Columbia Pictures	D–P		267.3	10.8	703	68.3
Marine Midland Banks	–12.9	924	40.9	10.1	754	18.1	Computer Sciences	D–P		46.1	14.5	424	25.0
Allied Products	–14.1	925	680.8	6.0	919	18.8	Eastern Air Lines	D–P		1,135.7	11.9	626	26.4
Bunker-Ramo	–14.1	926	D–P	5.3	937	13.9	Foodarama Supermkts	D–P		9.8	3.2	976	10.5
Akzona	–15.0	927	58.9	9.7	777	14.0	Grumman	D–P		–17.3	8.3	847	6.3
GAF	–15.0	928	D–P	7.2	883	5.8	Gulf Resources & Chem	D–P		–58.7	20.2	159	16.1
Zenith Radio	–16.6	929	–60.4	5.2	939	2.0	Lockheed	D–P		7.4	5.5	931	0.7
U S Industries	–16.8	930	102.3	0.0	990	0.2	LTV	D–P		D–D	4.9	946	13.1
Kennecott Copper	–18.7	931	–19.1	5.0	944	81.5	Mattel	D–P		21.4	5.1	942	20.7
Kaufman & Broad	–19.6	932	146.1	9.5	792	30.3	McLouth Steel	D–P		P–D	13.4	493	29.2
ASARCO	–20.3	933	P–D	6.8	894	3.7	Memorex	D–P		45.4	25.7	76	62.7
AM International	–21.1	934	D–P	6.5	903	18.3	MGM	D–P		56.0	11.4	664	48.8
Questor	–21.8	935	13.1	7.4	878	–1.3	Pan Am World Airways	D–P		D–P	7.8	863	24.1
Goldblatt Brothers	–23.5	936	P–D	3.9	962	6.2	Seatrain Lines	D–P		61.0	19.4	181	56.1
General Refractories	–23.9	937	P–D	13.5	484	17.7	Twentieth Century-Fox	D–P		128.4	16.3	317	51.1
Citizens & Southern	–26.0	938	P–D	10.4	730	13.9	DPF	**		**	**		**
Phillips-Van Heusen	–27.2	939	–4.9	3.8	969	10.5	Food Fair	**		**	**		**

*The growth rate may be for less than 5 years as footnoted in individual Yardsticks tables. † Latest 12 months. P-D Profit to deficit. D-P Deficit to profit; not ranked. P-D Profit to deficit. P-Z Profit to zero. D-D Deficit to deficit. **Not available; not ranked.

ou had invested in each of these companies e years ago, how much would you have ade—or lost?

Who's where in the stock market

, THE BAD NEWS: You'd have lost ey in one out of every three of the stocks ranked below if you'd ht them in the depths of the recession five years ago and held on to them. e of the most popular growth stocks esterday were among the losers: onald's, Avon Products, Heublein, k and Polaroid. So was the most table major public company in the try: Emery Air Freight. And those are still looking for the "next k" might do well to take note of k' 975th ranking on this list.

the remaining two-thirds where would have shown a profit, nearly ailed to show as sharp a price rise as onsumer price index.

Now, the good news: You'd have doubled your money or better in 213 of the stocks listed here; you'd have quadrupled your money or better—generally much, *much* better—in 50 of the stocks below. So about 20% of the top 1,004 stocks ranked by FORBES turned out to be excellent investments since the oil embargo. And 5% were big, big winners.

Who were the winners? If you doubt that a certain tough-minded perversity pays off on Wall Street, think back to what all the brokers were saying about movie companies and aerospace companies five years back. There wasn't a good word to be heard about those troubled companies. Yet look at who's topping the list in stock market appreciation since then: MGM, Columbia Pictures, Twentieth Century-Fox and Boeing, Northrop and Lockheed—Lockheed, the company few thought could survive back then. The old adage about buying shares on the announcement of bad news still seems to stand the test of time.

"Recovery situations," companies whose stocks were selling well below earlier highs at year-end 1973, were also big winners. Memorex, which collapsed after 1969, jumped 1500% in value over the five years measured. Of course, everything is relative. Just to put things into perspective the current price of Memorex is only one-sixth of the high it hit back in 1969.

All of this raises some embarrassing questions for the random-walkers, the people who believe that stock prices at any given time accurately reflect their relative value at that time. Random-walk (or perfect-market) theory may be true, but it begs the point. The point is that investors aren't buying stocks for what they are worth today but for what they hope they will be worth tomorrow. And in that respect—as these figures so abundantly prove—a touch of Ben Graham and a willingness to buck the prevailing wisdom is worth bookshelves full of random-walk theory and miles of computer printouts. ■

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
1	9	**Service Merchandise**	**2,311.3%**	23⅝– ½	15⅝	12.7	**$198**	$1.48	11	$0.10	0.6%
2	*	**Farm House Foods**	**1,522.1**	7 – ¼	4¼	1.9	**8**	0.59	7	none	0.0
3	80	**Memorex**	**1,513.3**	60¾– 1½	30¼	6.9	**210**	5.51	5	none	0.0
4	19	**MGM**	**1,339.4**	52⅛– 3	38	14.9	**565**	3.22	12	1.20	3.2
5	47	**Boeing**	**922.1**	76 – 5⅞	63¼	42.7	**2,699**	6.36	10	1.20	1.9
6	209	**Modern Merchandising**	**726.4**	19¾– 1⅛	14⅞	8.0	**120**	1.71	9	0.16	1.1
7	513	**Best Products**	**708.3**	34¼– ⅞	24¼	8.8	**213**	2.57	9	0.16	0.7
8	7	**Teledyne**	**696.7**	119¾– 6¼	92½	12.9	**1,192**	17.29	5	none	0.0
9	*	**Coachmen Industries**	**666.7**	19⅜– 1¼	8⅝	3.5	**30**	2.22	4	0.60	7.0
10	74	**Columbia Pictures**	**640.9**	27½– 1⅝	20⅜	8.8	**179**	6.82	3	0.40	2.0
11	101	**Bruno's**	**614.0**	11½– 1⅛	9⅜	4.2	**40**	1.20	8	0.24	2.6
12	2	**Moore McCormack Res**	**603.0**	39¾– 4⅛	29	5.7	**165**	4.53	6	1.00	3.4
13	*	**Morse Shoe**	**599.1**	20⅛– 1	14¾	5.1	**75**	2.66	6	0.66	4.5
14	68	**SCOA Industries**	**597.4**	38¾– 3½	26½	4.2	**112**	3.50	8	1.08	4.1
15	11	**Hunt Intl Resources**	**592.9**	23⅜– 1⅝	12⅛	4.5	**54**	–3.77	def	none	0.0
16	160	**Hanes**	**564.4**	60⅝– 6	60⅝	4.3	**258**	5.22	12	1.72	2.8
17	363	**Metromedia**	**558.1**	71 – 4¼	51	4.4	**224**	6.07	8	2.00	3.9
18	6	**Pneumo Corp**	**542.9**	31½– 3½	22½	2.8	**64**	2.14	11	1.00	4.4
19	27	**Northrop**	**525.9**	49⅞– 5¼	36¼	14.2	**515**	5.74	6	1.60	4.4
20	139	**Fairchild Industries**	**525.0**	35½– 3¾	25	4.7	**117**	4.08	6	0.90	3.6
21	100	**Lockheed**	**492.3**	37⅝– 3¼	19¼	11.5	**222**	3.82	5	none	0.0
22	367	**Whittaker**	**487.5**	18¾– 1⅛	11¾	13.0	**153**	1.99	6	0.20	1.7
23	89	**Itel**	**482.4**	37½– 2½	24¾	11.2	**277**	3.56	7	0.64	2.6
24	'171	**Humana**	**481.3**	20½– 1⅝	19⅜	11.5	**223**	1.51	13	0.50	2.6
25	309	**Hilton Hotels**	**445.3**	32¾– 2¼	23¾	22.8	**540**	2.33	10	1.00	4.2
26	53	**MCA**	**442.2**	47⅜– 7¼	40⅛	23.2	**932**	5.49	7	1.20	3.0
27	4	**E-Systems**	**438.9**	35⅜– 4¼	24⅞	4.3	**107**	3.99	6	1.20	4.8
28	61	**Twentieth Century-Fox**	**437.0**	40¾– 4½	30⅞	7.7	**239**	7.79	4	1.20	3.9
29	12	**Dean Foods**	**436.0**	28¾– 3⅝	20¼	3.0	**61**	2.53	8	0.70	3.5
30	13	**Athlone Industries**	**424.1**	20 – 3½	19	3.0	**58**	3.61	5	1.20	6.3

*Not ranked last year. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
31	*	Computer Sciences	417.7%	17 – 1½	11	13.0	$143	$1.13	10	none	0.0%
32	1	Utd Energy Resources	414.8‡	36⅜– 3	34¾	11.8	411	6.82	5	$2.08	6.0
33	110	Washington Post	410.3	48¾– 7⅜	43⅜	8.0	348	5.70	8	0.72	1.7
34	105	Beech Aircraft	408.9	31½– 4¼	23	11.3	259	2.96	8	0.80	3.5
35	252	Seatrain Lines	380.0	15⅜– 1⅝	9	14.3	129	0.66	14	none	0.0
36	267	Bangor Punta	373.5	31⅜– 2	20⅛	4.5	91	4.89	4	0.60	3.0
37	77	Entex	362.3	18 – 2⅝	16⅜	16.9	276	2.33	7	0.80	4.9
38	93	Tyler	337.5	19¼– 3¼	16	10.5	168	2.06	8	0.40	2.5
39	92	Harris Corp	336.4	37 – 3¼	30	25.1	754	2.18	14	0.60	2.0
40	28	NVF	332.7	8⅛– 1⅝	6¾	13.7	92	1.82	4	none	0.0
41	179	Iowa Beef Processors	328.2	53¾– 6⅞	52⅞	4.4	234	7.35	7	0.52	1.0
42	593	Warner Communications	327.5	57½– 6⅝	42¾	12.8	547	5.69	8	1.00	2.3
43	115	Ruddick	325.0	10⅛– 1⅛	8½	2.3	20	1.66	5	0.42	4.9
44	147	Del E Webb	324.1	38 – 2	15⅜	9.3	143	1.58	10	0.20	1.3
45	235	Levi Strauss	323.1	38⅝– 6⅛	34⅜	21.9	751	6.29	5	1.60	4.7
46	787	Hartfield-Zodys	322.2	14¼– ⅝	9½	3.3	32	2.09	5	0.40	4.2
47	102	Olinkraft	314.7‡	62⅝–10⅛	60⅛	9.0	539	4.08	15	1.20	2.0
48	466	Servomation	308.7	49¼– 5¼	47	3.9	181	3.17	15	1.50	3.2
49	125	Dayton-Hudson	308.6	44¼– 6½	35¾	23.6	843	10.37	3	1.60	4.5
50	36	Super Valu Stores	300.0	20¼– 3	16¼	18.0	293	1.85	9	0.54	3.3
51	30	Consolidated Papers	283.3	60½–11⅞	51¾	5.2	270	7.57	7	2.40	4.6
51	8	Wyman-Gordon	283.3	40½– 4¼	23	9.0	207	3.00	8	0.80	3.5
53	*	Geico	282.7	34⅞– 4¾	24⅞	6.7	168	2.89	9	0.70	2.8
54	34	Parker Pen	280.0	29½– 4½	22¾	8.4	190	2.43	9	0.60	2.6
55	23	American Standard	277.3	53⅛– 7¾	41½	12.6	523	7.02	6	2.60	6.3
56	38	Chic & North Western	264.7‡	26¼– 3½	15½	4.4	69	2.57	6	none	0.0
57	152	Ampex	264.5	19⅞– 2	14⅛	10.9	155	1.34	11	none	0.0
58	121	SmithKline Corp	264.5	102½–15⅛	91⅛	30.2	2,748	4.88	19	1.80	2.0
59	308	Avco	264.0	35 – 2	22¾	12.7	288	9.51	2	1.00	4.4
60	104	Lear Siegler	257.9	24 – 3⅜	17	12.8	218	3.64	5	0.80	4.7
61	74	General Dynamics	256.3	93½–13½	71¼	10.8	766	–6.27	def	none	0.0
62	25	Amsted Industries	255.1	45 – 8	34⅝	10.8	373	4.63	7	1.72	5.0
63	832	Amer Medical Intl	254.5	31¾– 2½	21¾	6.9	150	2.53	9	0.60	2.8
64	290	Litton Industries	254.2	28½– 2½	21⅛	35.4	749	–2.59	def	none	0.0
65	20	Crane	250.1	38¼– 6⅞	24⅜	10.1	246	3.40	7	1.40	5.7
66	51	Niagara Frontier Svc	250.0	32⅜– 5	19¼	2.1	41	3.73	5	0.80	4.2
67	226	Caldor	243.0	22⅝– 3	16⅛	5.8	94	2.29	7	0.40	2.5
68	147	Johnson Controls	241.4	34½– 3⅜	24¾	12.5	308	3.13	8	1.10	4.4
69	57	Alco Standard	240.4	31⅜– 6¼	24¼	9.7	236	4.51	5	1.22	5.0
70	55	Allis-Chalmers	238.6	38⅜– 6⅛	29⅝	11.9	353	5.92	5	1.50	5.1
71	54	Midland-Ross	237.6	20⅜– 4⅜	16¼	11.0	178	2.62	6	1.10	6.8
72	292	McGraw-Hill	235.7	26¼– 5⅜	23½	24.4	572	2.44	10	1.00	4.3
73	*	Meredith	235.4	40¼– 7	27¼	3.1	85	4.84	6	1.00	3.7
74	297	Wal-Mart Stores	234.6	29⅜– 3¾	22⅜	14.9	333	1.76	13	0.22	1.0
75	155	Edison Bros Stores	230.0	34⅛– 5⅝	26⅛	11.6	303	3.53	7	1.10	4.2
76	531	Gray Drug Stores	229.4	19¾– 3⅜	14	2.6	36	2.66	5	0.80	5.7
77	49	Colt Industries	226.6	42⅜–10⅛	33¾	12.0	404	6.38	5	2.10	6.2
78	234	Reliance Group	223.5	37 – 4¼	32¾	7.7	252	7.75	4	1.60	4.9
79	39	Super Food Services	219.7	19⅞– 4	14½	1.2	17	1.87	8	0.40	2.8
80	116	United Technologies	219.0	52½–11¼	37⅞	41.0	1,551	5.47	7	2.00	5.3
81	94	Skaggs Companies	218.6	30⅞– 5⅛	25¾	8.0	205	2.92	9	0.80	3.1
82	95	Northwest Industries	217.7	35 – 7⅜	28	29.4	824	4.82	6	1.75	6.3
83	465	Cessna Aircraft	216.0	24½– 5½	19	17.4	331	2.05	9	0.80	4.2
84	384	Pitney-Bowes	215.5	29 –11¼	22⅞	13.6	310	3.06	7	1.20	5.2
85	215	Cullum Companies	211.6	25¼– 3¾	21	2.3	47	3.45	6	0.80	3.8
86	219	P R Mallory	210.8	50½–10⅜	50½	4.9	249	2.42	21	1.40	2.8
87	169	Beckman Instruments	210.1	23½– 4	22	16.5	362	1.43	15	0.28	1.3
88	236	Studebaker-Worthington	209.5	35⅝– 6	28⅝	14.1	403	7.73	4	1.25	4.4
89	528	General Cinema	209.1	45¾– 5⅜	34	5.6	189	4.36	8	1.12	3.3
90	698	Borman's	205.3	9⅞– 1⅛	7¼	2.9	21	0.83	9	none	0.0
91	329	Houdaille Industries	205.2	32⅜– 6	29⅜	8.5	248	3.06	10	1.25	4.3
92	33	Cone Mills	204.1	33⅞– 7⅜	23⅜	5.8	135	6.50	4	1.60	6.8
93	696	Mattel	200.0	13⅛– ½	7½	15.6	117	1.23	6	0.30	4.0
94	64	Raytheon	198.4	58¾–10	46¼	31.1	1,439	4.61	10	1.20	2.6
95	*	Bird & Son	197.3	37¼– 6⅞	20¾	4.1	85	4.20	5	1.54	7.5

*Not ranked last year. ‡Four-year price change. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
96	556	**Maryland Cup**	**194.9%**	28⅜– 6⅝	26¼	6.7	**$176**	$2.84	9	$0.49	1.9%
97	229	**ConAgra**	**194.7**	25⅞– 2⅞	21¾	3.9	**84**	4.56	5	1.30	6.0
98	164	**Flickinger**	**192.4**	16 – 4¼	13⅝	2.7	**37**	2.05	7	0.60	4.4
99	88	**Universal Leaf**	**192.2**	24 – 5½	18⅝	9.2	**172**	2.19	9	1.04	5.6
100	157	**Emhart**	**191.5**	45 – 9½	34	11.4	**386**	5.81	6	2.20	6.5
101	224	**Blue Bell**	**190.9**	31⅜– 6	20	12.5	**249**	4.28	5	1.40	7.0
102	141	**Denny's**	**189.7**	35 – 5⅞	24⅝	8.7	**213**	2.90	8	0.80	3.2
103	514	**Marathon Mfg**	**189.1**	30⅜– 3⅛	20	5.7	**113**	3.62	6	0.60	3.0
104	971	**Hyatt Corp**	**187.2**	24¼– 1¾	16⅞	7.9	**133**	2.80	6	none	0.0
105	193	**Sigmor**	**186.2**	22 – 4⅞	14	6.7	**94**	2.08	7	0.80	5.7
106	882	**Kay**	**185.3**	15 – 2	12⅛	2.8	**34**	1.85	7	0.30	2.5
107	298	**Cutler-Hammer**	**185.0**	58 –11⅛	57	6.6	**377**	5.13	11	none	0.0
108	16	**A E Staley Mfg**	**184.6**	32½– 6	18½	11.4	**210**	1.26	15	1.00	5.4
109	231	**Thiokol**	**179.5**	39⅝– 8½	29	5.7	**164**	4.22	7	1.30	4.5
110	317	**Hoover Universal**	**178.9**	25½– 4⅞	22	8.8	**193**	3.43	6	1.24	5.6
111	906	**Vornado**	**178.6**	16 – 3	9¾	5.6	**55**	–0.17	def	none	0.0
112	199	**Dana**	**178.0**	32⅜– 7	27⅝	32.0	**884**	4.22	7	1.36	4.9
113	673	**Blount**	**177.7**	25½– 3⅜	18¾	2.7	**51**	3.38	6	0.48	2.6
114	515	**Hospital Corp of Am**	**176.1**	34½– 3⅜	27⅛	16.9	**458**	2.30	12	0.40	1.5
115	161	**Dover Corp**	**175.5**	51¼–12⅜	40⅛	9.0	**359**	4.68	9	1.40	3.5
116	329	**E F Hutton Group**	**175.4**	25⅜– 3⅞	16¼	6.8	**110**	4.08	4	0.68	4.2
117	348	**Brockway Glass**	**175.3**	24⅜– 6¾	18⅝	7.3	**136**	3.36	6	1.08	5.8
118	97	**Foodarama Supermkts**	**173.7**	10 – 2⅜	6½	1.4	**9**	1.68	4	0.50	7.7
119	144	**American Bakeries**	**173.0**	20½– 3	13	1.9	**25**	2.27	6	1.20	9.2
120	258	**McDonough**	**171.2**	30⅜– 5⅞	24¾	4.0	**99**	4.87	5	1.20	4.8
121	741	**Bergen Brunswig**	**170.0**	17⅞– 1½	6¾	2.9	**19**	1.17	6	0.20	3.0
122	857	**Fleetwood Enterprises**	**169.7**	20⅜– 3⅞	11⅛	11.4	**126**	1.77	6	0.52	4.7
123	275	**Time Inc**	**169.7**	50¾–12¼	41⅛	20.5	**844**	5.77	7	1.50	3.6
124	*	**Dexter**	**166.7**	22 – 5⅛	20	9.1	**182**	2.28	9	0.80	4.0
125	131	**Harsco**	**166.6**	36⅞– 8¾	30	10.0	**299**	4.66	6	1.80	6.0
126	84	**Handy & Harman**	**162.0**	19⅛– 6	15½	6.8	**105**	1.83	8	0.60	3.9
127	466	**Ball Corp**	**161.8**	28⅝– 8¼	22¼	4.9	**108**	3.72	6	1.20	5.4
128	273	**Arcata National**	**161.7**	26⅜– 5	19⅝	6.8	**134**	3.10	6	0.96	4.9
129	45	**Olin Corp**	**161.5‡**	25¾– 6½	19⅛	24.1	**461**	2.39	8	0.88	4.6
130	114	**DPF**	**160.0**	14¼– 2⅜	9¾	4.3	**42**	2.21	4	none	0.0
131	145	**Abbott Laboratories**	**158.6**	40 – 7⅝	32¼	59.9	**1,933**	2.35	14	0.84	2.6
132	166	**Sun Chemical**	**152.2**	32 – 5⅜	24⅜	3.3	**80**	5.24	5	0.60	2.5
133	543	**Dart Industries**	**151.4**	49½–10	39⅜	23.2	**914**	4.99	8	1.60	4.1
134	112	**Albertson's**	**151.3**	46¾–10	35½	7.4	**262**	4.54	8	0.96	2.7
135	516	**MBPXL**	**151.1**	26 – 4⅜	25	2.5	**61**	3.40	7	0.40	1.6
136	*	**Pay Less Drug NW**	**151.1**	24½– 3½	16⅞	4.4	**74**	2.02	8	0.50	3.0
137	260	**Seaboard Allied Milling**	**150.0**	22½– 4⅝	16⅞	1.4	**23**	5.80	3	0.40	2.4
137	185	**Wallace-Murray**	**150.0**	29⅜– 4¼	18¾	5.5	**102**	4.94	4	1.20	6.4
139	*	**Fort Howard Paper**	**148.8**	42¾–12	38⅞	13.4	**522**	3.55	11	1.08	2.8
140	223	**New York Times**	**148.8**	32 – 6⅞	25½	11.6	**296**	1.80	14	0.80	3.1
141	129	**Eagle-Picher Inds**	**148.3**	25½– 6	20⅞	9.9	**206**	2.64	8	0.80	3.8
142	*	**Capital Cities Comm**	**147.2**	47¾– 8⅜	39¼	14.0	**550**	3.64	11	0.20	0.5
143	111	**Carson Pirie Scott**	**145.3**	24 – 4½	17⅜	3.5	**61**	3.41	5	1.00	5.8
144	31	**Missouri Pacific Corp**	**144.6**	59½–14	50¾	14.9	**757**	9.14	6	2.80	5.5
145	342	**Kings Dept Stores**	**144.4**	18 – 4	13¾	7.6	**104**	2.26	6	0.80	5.8
146	414	**Norris Industries**	**142.9**	31¼– 5	21¼	9.8	**207**	4.04	5	1.24	5.8
147	43	**Belco Petroleum**	**142.6**	40¼– 9½	37	7.6	**282**	7.08	5	1.20	3.2
148	166	**Perini**	**142.1**	15¼– 3	11½	3.4	**40**	1.01	11	0.40	3.5
149	572	**Melville**	**141.4**	33⅞– 4¾	26¼	24.9	**654**	3.26	8	1.16	4.4
150	153	**Campbell Taggart**	**140.7**	28¼– 7¼	24⅞	10.8	**269**	2.63	9	0.96	3.9
151	255	**Idle Wild Foods**	**138.8**	27 – 2⅝	19½	1.7	**34**	4.18	5	0.80	4.1
152	214	**Weis Markets**	**138.3**	40¾–13	35¾	6.1	**217**	3.97	9	0.94	2.6
153	211	**Bluebird**	**136.0**	7½– 1⅝	7⅜	5.6	**41**	1.24	6	0.20	2.7
154	873	**AM International**	**134.2**	32⅞– 3	23⅛	8.4	**194**	2.71	9	0.28	1.2
155	419	**Southland Corp**	**133.9**	34¾–11⅜	28¼	20.2	**570**	2.73	10	0.72	2.5
156	511	**National Can**	**133.3**	22⅝– 6½	17½	7.1	**124**	0.54	32	0.64	3.7
157	*	**Flowers Industries**	**132.5**	17 – 3½	11⅝	5.5	**64**	1.66	7	0.40	3.4
158	304	**Amer Broadcasting**	**132.3**	43¼– 7⅝	36	27.1	**977**	4.53	8	1.20	3.3
159	728	**Sav-On-Drugs**	**131.4**	15 – 2¼	10⅛	7.3	**74**	1.23	8	0.36	3.6
160	406	**Stokely-Van Camp**	**131.1**	31½–11¼	30⅝	3.3	**101**	3.05	10	1.32	4.3

*Not ranked last year. ‡Four-year price change. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
161	*	**Barnes Group**	**130.3%**	28 – 8¼	21⅞	4.5	**$ 99**	$3.36	7	$1.00	4.6%
162	409	**Dennison Mfg**	**129.6**	36½– 7¾	31	4.5	**138**	4.59	7	1.52	4.9
163	510	**General Instrument**	**129.5**	41⅜– 4	28⅝	7.7	**222**	3.50	8	0.60	2.1
164	72	**Mead**	**128.7**	33⅞– 7⅞	27¼	21.8	**595**	4.72	6	1.60	5.9
165	351	**Talley Industries**	**128.6**	15⅜– 4⅞	12	4.5	**54**	1.95	6	1.00	8.3
166	253	**Marsh Supermarkets**	**127.9**	7⅜– 2¼	6⅛	3.1	**19**	1.41	4	0.30	4.9
167	263	**Allied Stores**	**126.2**	29⅝– 7⅝	23¾	19.9	**473**	4.02	6	1.40	5.9
168	*	**Alleghany Corp**	**125.6**	26 – 6¼	22	7.8	**171**	2.59	8	1.20	5.5
169	143	**Anderson, Clayton**	**122.9**	26¼– 7¾	21⅞	14.0	**307**	2.86	8	1.00	4.6
170	134	**Vulcan Materials**	**122.9**	37¼–11¼	29¼	11.5	**335**	4.30	7	1.30	4.4
171	896	**Bunker-Ramo**	**122.2**	19¾– 3⅛	15	5.6	**85**	2.31	6	0.50	3.3
172	283	**Federal Paper Board**	**121.5**	26¼– 7½	20⅝	6.0	**123**	2.83	7	0.90	4.4
173	*	**Ametek**	**121.0**	37¾– 9¼	27⅝	5.3	**145**	3.65	8	1.80	6.5
174	198	**Wheelabrator-Frye**	**120.6**	41 – 7⅛	28⅛	7.8	**219**	3.39	8	1.20	4.3
175	296	**Del Monte**	**120.1**	44⅛–16	41	12.0	**493**	4.23	10	1.70	4.1
176	180	**Gould**	**120.0**	35½– 8¾	27½	25.9	**713**	4.06	7	1.60	5.8
177	941	**Zayre**	**119.1**	17⅞– 2½	11½	5.0	**57**	2.63	4	none	0.0
178	177	**Longview Fibre**	**119.0**	285 –101	265	1.2	**309**	21.53	12	9.20	3.5
179	249	**Cabot**	**118.7**	38½– 7	29¼	10.1	**297**	4.59	6	1.20	4.1
180	316	**Allen Group**	**118.5**	20 – 3⅝	14¾	3.0	**44**	2.53	6	1.00	6.8
181	35	**Cooper Industries**	**117.4**	60 –10¼	46¾	11.3	**527**	5.83	8	1.84	3.9
182	98	**Ogden**	**116.4**	35¼–11½	28⅛	8.5	**240**	5.88	5	1.80	6.4
183	357	**United States Shoe**	**116.3**	38½– 6¾	23¼	7.0	**162**	4.12	6	1.32	5.7
184	44	**Potlatch**	**115.3**	39⅝–10⅛	28⅛	15.1	**426**	3.83	7	1.16	4.1
185	243	**Thriftimart**	**115.3**	19⅝– 5¾	15⅞	0.9	**14**	4.00	4	0.80	5.0
186	777	**Allied Van Lines**	**114.3**	5¾– 1⅜	3¾	1.2	**5**	0.82	5	0.20	5.3
187	280	**Rexnord**	**109.4**	21¼– 5⅜	16¾	16.9	**282**	2.75	6	0.88	5.3
188	132	**Central Steel & Wire**	**108.3**	180 –74	175	0.3	**59**	37.47	5	10.00	5.7
189	200	**Avnet**	**108.2**	23⅜– 4⅛	15⅞	14.8	**235**	2.62	6	0.70	4.4
190	154	**Tektronix**	**108.1**	50½– 9⅛	44⅞	17.9	**804**	3.30	14	0.64	1.4
191	128	**Signal Companies**	**107.4**	30 – 6¼	21⅞	38.3	**837**	3.78	6	0.80	3.7
192	3	**Westmoreland Coal**	**107.3**	65¼–12⅛	28¼	6.8	**193**	0.20	–	1.60	5.7
193	522	**Cincinnati Milacron**	**106.9**	37¾– 6¾	30⅛	7.3	**221**	4.06	7	1.10	3.7
194	820	**Congoleum**	**106.8**	26¼– 2⅜	19⅛	11.7	**223**	3.26	6	0.80	4.2
195	358	**CBS**	**105.9**	64¾–25	52¾	27.7	**1,460**	6.93	8	2.60	4.9
196	65	**H K Porter**	**105.1**	62 –29	60	1.2	**71**	13.51	4	3.20	5.3
197	531	**General Cable**	**105.1**	20¾– 6¾	15⅛	11.4	**173**	1.86	8	1.10	7.3
198	386	**TRW**	**104.9**	42⅜–10⅛	36⅝	28.2	**1,033**	5.25	7	1.80	4.9
199	79	**Federal Co**	**104.4**	38¼– 9	35	4.0	**140**	7.06	5	2.00	5.7
200	399	**Norin**	**103.8**	13 – 1⅞	8	2.5	**20**	1.70	5	0.25	3.1
201	393	**Jim Walter**	**103.6**	44¼–13⅜	28	14.5	**407**	5.05	6	1.60	5.7
202	91	**Grumman**	**103.6**	24⅞– 7½	15½	8.1	**126**	2.93	5	1.20	7.7
203	540	**McDonnell Douglas**	**103.4**	40½– 7⅝	30	37.2	**1,115**	3.91	8	0.60	2.0
204	383	**Hanover Insurance**	**103.1**	32⅜– 4¼	24⅜	3.4	**82**	7.37	3	0.36	1.5
204	564	**Paine Webber**	**103.1**	13⅜– 1⅝	8⅛	5.3	**43**	2.05	4	0.44	5.4
204	10	**Raymond Intl**	**103.1**	28⅜– 4⅛	16¼	4.8	**77**	3.47	5	1.00	6.2
207	813	**Carrier**	**102.1**	28⅛– 6	24	24.2	**581**	3.23	7	1.00	4.2
208	246	**Pay'n Save**	**102.0**	30⅞– 8¾	25½	5.5	**139**	2.90	9	0.60	2.4
209	591	**Flintkote**	**101.7**	39⅝– 9⅛	29¼	6.7	**197**	4.92	6	1.55	5.3
210	90	**American Stores**	**101.4**	37⅞–15⅛	30⅞	5.3	**164**	6.26	5	2.24	7.3
211	113	**Butler Manufacturing**	**101.2**	33 –11⅛	28½	5.8	**164**	3.90	7	1.10	3.9
212	575	**R H Macy**	**100.0**	45⅞–10¼	36½	10.5	**382**	6.19	6	1.65	4.5
212	245	**SCM**	**100.0**	25⅛– 8⅛	17½	9.2	**161**	4.05	4	1.10	6.3
214	643	**Loews**	**99.4**	55¼–10⅞	40⅞	11.5	**471**	11.63	4	1.20	2.9
215	295	**Gerber Products**	**99.2**	39½– 8½	29⅞	8.2	**244**	3.25	9	1.50	5.0
216	*	**Stanadyne**	**99.0**	38¾– 9¾	24⅞	4.8	**119**	3.42	7	1.28	5.1
217	*	**Dibrell Brothers**	**98.8**	19⅛– 5½	14¼	1.3	**19**	2.84	5	0.84	5.9
218	291	**Hannaford Bros**	**98.1**	16¼– 6⅜	13	1.3	**16**	2.66	5	0.80	6.2
219	146	**Dillon Companies**	**98.0**	34¾–13	29	10.7	**312**	2.90	10	1.32	4.6
220	926	**National Airlines**	**96.7**	40¼– 6¾	29¾	8.6	**255**	2.00	15	0.50	1.7
221	269	**Norton**	**96.6**	28⅛– 9⅝	25⅛	16.4	**410**	3.58	7	1.15	4.6
222	388	**Harcourt Brace Jovan**	**95.5**	35½–12¼	32¼	4.3	**140**	3.23	10	1.44	4.5
222	56	**Occidental Petroleum**	**95.5**	31⅛– 7⅜	16⅛	69.1	**1,115**	0.41	39	1.25	7.8
224	26	**Northwest Energy**	**95.4‡**	43⅞–11⅞	26⅜	4.3	**114**	4.52	6	2.40	9.1
225	*	**Crouse-Hinds**	**94.8**	28⅛– 7¾	21¾	7.1	**155**	2.53	9	1.00	4.6

*Not ranked last year. ‡Four-year price change.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
26	66	**Big Three Industries**	**94.6%**	40⅞–11	30¼	20.1	**$607**	$2.71	11	$0.72	2.4%
27	*	**Gordon Jewelry**	**94.4**	22½– 5½	17½	5.5	**98**	3.45	5	0.60	3.4
28	826	**Continental Airlines**	**93.1**	16⅝– 2⅞	9⅞	14.6	**144**	3.68	3	0.40	4.1
29	545	**Combined Insurance**	**93.0**	20⅜– 5¼	17⅛	26.8	**458**	2.79	6	1.20	7.0
30	173	**Peavey**	**92.9**	24 – 8¾	19⅛	5.7	**109**	2.40	8	0.92	4.8
31	266	**H H Robertson**	**92.5**	35 –12¾	25½	2.1	**54**	4.00	6	1.70	6.7
32	333	**Bendix**	**92.0**	47 –15	36	21.5	**774**	5.74	6	2.56	7.1
33	227	**Martin Marietta**	**92.0**	34⅞–12½	26⅞	23.8	**640**	5.00	5	1.80	6.7
34	539	**Imperial Corp of Am**	**91.6**	24¾– 4½	17	13.9	**236**	4.69	4	0.80	4.7
35	448	**Petrolane**	**91.5**	35⅞– 7½	28¼	12.4	**352**	3.78	7	1.04	3.7
36	429	**Genl Tire & Rubber**	**91.2**	31⅞– 9⅛	23⅜	22.7	**531**	4.94	5	1.50	6.4
37	652	**Evans Products**	**91.1**	25⅞– 2	18⅞	13.0	**245**	3.43	6	1.30	6.9
38	303	**White Consolidated**	**90.5**	28⅛– 7½	17⅝	11.4	**200**	4.55	4	1.30	7.4
39	22	**Koppers**	**90.5**	30¼– 8¼	20	25.1	**501**	2.77	7	1.20	6.0
40	474	**Walter Kidde**	**90.1**	38¾– 8¼	28¾	10.1	**289**	5.92	5	1.40	4.9
41	658	**Knight-Ridder News**	**88.9**	29⅝– 6¾	23½	31.6	**743**	2.24	10	0.60	2.6
42	194	**Reeves Brothers**	**87.9**	28⅜–10⅞	25½	2.6	**65**	5.59	5	1.80	7.1
43	885	**Circle K**	**87.7**	18¾– 4⅝	15¼	4.8	**74**	1.93	8	1.00	6.6
44	662	**Supermarkets General**	**86.8**	16⅛– 2⅝	12⅜	8.0	**98**	2.03	6	0.42	3.4
45	*	**Tandy**	**86.7‡‡**	34⅝– 2⅜	24½	24.1	**590**	2.92	8	none	0.0
46	834	**Republic Natl Life**	**86.5**	15½– 2	12⅛	9.4	**114**	1.63	7	0.50	4.1
47	136	**Stauffer Chemical**	**86.5**	54 –17⅞	38	21.9	**831**	5.71	7	2.00	5.3
48	163	**Crown Central Petrol**	**85.8**	32⅞–11⅜	25¼	1.9	**48**	5.41	5	0.60	2.4
49	474	**Anchor Hocking**	**85.3**	32¾–12	26⅞	6.8	**182**	5.15	5	1.60	6.0
50	454	**Ashland Oil**	**85.2**	46⅞–15⅜	45⅜	22.3	**1,011**	8.27	5	2.40	5.3
51	32	**Boise Cascade**	**84.6**	33¾– 9⅞	25⅜	27.0	**685**	4.80	5	1.25	4.9
52	238	**Willamette Inds**	**84.0**	38⅜– 9¼	28⅜	14.0	**396**	3.94	7	1.10	3.9
53	271	**Kroger**	**84.0**	36¾–14¼	34½	13.6	**468**	5.44	6	2.00	5.8
54	221	**Ex-Cell-O**	**83.9**	35 – 9½	27⅛	10.0	**272**	3.78	7	1.60	5.9
55	523	**J Weingarten**	**83.3**	7 – 3	5½	2.3	**12**	–1.63	def	none	0.0
56	170	**Riegel Textile**	**83.0**	22¼– 6⅜	16⅝	3.9	**64**	3.50	5	1.50	9.0
57	573	**Kemper Corp**	**82.7**	47½–11	37	5.9	**219**	11.57	3	2.40	6.5
58	506	**Giant Food**	**82.3**	24⅞– 7½	19½	3.3	**63**	3.38	6	1.30	6.7
59	42	**UV Industries**	**82.1**	24¼– 7	17¾	9.1	**161**	4.94	4	1.00	5.6
60	*	**C F Braun**	**82.0‡‡**	41¾–13¾	27¾	5.0	**139**	3.52	8	0.80	2.9
61	218	**NCR**	**81.9**	67¾–13⅝	58⅞	26.5	**1,559**	10.70	6	1.00	1.7
62	83	**Houston Natural Gas**	**81.6**	36⅝– 7⅞	23⅜	38.7	**904**	3.34	7	1.00	4.3
63	597	**Leaseway Transportn**	**81.0**	39½– 8⅞	34	7.9	**267**	4.71	7	1.80	5.3
64	242	**Gt Northern Nekoosa**	**80.6**	37½–12½	31¼	15.7	**491**	3.79	8	1.40	4.5
65	117	**Interpace**	**80.3**	23⅝– 7	16⅜	3.8	**63**	3.28	5	1.30	7.9
66	660	**Walgreen**	**80.0**	30½– 9⅜	24¾	6.7	**165**	3.61	7	1.30	5.3
67	544	**Union Bancorp**	**79.7**	28 – 5¾	27⅜	11.1	**304**	2.22	12	0.92	3.4
68	943	**U S Home**	**79.5**	13⅛– 2	8¾	11.0	**97**	2.31	4	0.32	3.7
69	244	**Revlon**	**79.2**	59 –19⅜	52⅝	32.2	**1,695**	3.78	14	1.30	2.5
70	729	**Investors Div Svcs**	**77.8**	38¼– 7¾	36	4.6	**165**	3.26	11	1.28	3.6
71	190	**CPC International**	**77.2**	55⅛–23⅜	47⅝	23.8	**1,132**	5.86	8	2.70	5.7
72	841	**Manhattan Industries**	**76.8**	13⅜– 1⅝	9⅝	2.5	**24**	2.27	4	0.20	2.1
73	*	**Intel**	**76.7**	62 – 8¼	49	12.9	**632**	2.90	17	none	0.0
74	436	**Times Mirror**	**76.6**	35¼– 8¾	28¼	34.7	**981**	3.47	8	1.20	4.2
75	270	**Reliance Electric**	**75.8**	41 – 9¼	35⅜	15.0	**530**	4.18	8	1.50	4.2
76	414	**A-T-O**	**75.6**	14⅞– 3⅛	9⅞	5.9	**58**	2.14	5	0.48	4.9
77	665	**Alexander's**	**75.0**	9¼– 2	6⅛	4.5	**28**	1.02	6	0.40	6.5
78	607	**Lykes**	**75.0**	24⅝– 4¾	8¾	9.2	**81**	–4.45	def	none	0.0
79	156	**Pillsbury**	**74.4**	47¾–15¾	35¾	17.5	**626**	4.26	8	1.52	4.3
80	504	**Transamerica**	**74.3**	19⅜– 5⅜	15¼	66.4	**1,012**	2.96	5	1.00	6.6
81	328	**N L Industries**	**74.2**	25¼–11	19⅜	32.5	**629**	2.27	9	1.20	6.2
82	274	**Witco Chemical**	**73.9**	24⅞–11	19⅛	8.6	**165**	3.50	5	1.20	6.3
83	521	**Texas Oil & Gas**	**73.7**	35 – 7½	30	19.6	**589**	4.02	7	0.36	1.2
84	165	**Interlake**	**73.6**	42½–14⅜	24⅞	5.9	**148**	1.20	21	2.20	8.8
85	708	**H F Ahmanson**	**73.3**	26¾– 5⅝	18⅝	22.9	**427**	5.11	4	1.00	5.4
86	772	**Coastal States Gas**	**72.4**	24½– 3⅝	16⅜	18.7	**306**	2.71	6	0.30	1.8
87	788	**Cluett, Peabody**	**72.3**	14⅞– 2½	10⅛	8.8	**89**	2.04	5	0.60	5.9
88	237	**Ethyl**	**72.0**	24⅞– 9½	20¾	17.9	**371**	4.15	5	1.20	5.8
89	587	**Peoples Drug Stores**	**71.7**	14 – 3⅛	9⅞	3.6	**36**	1.45	7	0.24	2.4
90	103	**Carpenter Technology**	**71.7**	31 – 7⅝	25¾	8.5	**219**	3.99	6	1.60	6.2

Not ranked last year. ‡‡Three-year price change. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
290	338	**Fieldcrest Mills**	**71.7%**	31¾– 6½	25¾	3.6	**$ 94**	$5.55	5	$1.90	7.4%
292	962	**Eastern Air Lines**	**71.4**	15⅝– 3⅛	9	24.9	**224**	3.46	3	none	0.0
293	85	**Reynolds Metals**	**71.2**	44⅞–13⅛	32¾	18.8	**615**	5.32	6	1.80	5.5
294	665	**Thrifty Corp**	**70.9**	16 – 4	11¾	9.8	**115**	1.12	10	0.52	4.4
295	655	**Bache Group**	**70.6**	14⅝– 2¾	7¼	7.1	**51**	1.63	4	0.40	5.5
296	314	**Sundstrand**	**70.1**	25½– 5⅛	22¾	14.8	**337**	2.98	8	0.80	3.5
297	233	**Peoples Gas**	**69.6**	40½–17¼	33⅞	26.3	**891**	4.98	7	2.88	8.5
298	866	**Magic Chef**	**68.9**	14⅞– 2½	9½	7.7	**73**	1.86	5	0.60	6.3
299	126	**Pioneer Corp**	**68.6**	39¼–11¼	27¾	9.3	**258**	4.00	7	1.76	6.3
300	616	**Federal-Mogul**	**68.4**	35⅝–11¾	28⅝	5.7	**163**	5.22	5	1.80	6.3
301	137	**Castle & Cooke**	**68.3**	23½– 6⅞	18⅛	21.0	**381**	2.33	8	0.80	4.4
302	416	**Engelhard Minerals**	**67.7**	37⅜–12⅜	27⅛	31.6	**857**	3.87	7	1.40	5.2
303	361	**Insilco**	**67.1**	17¼– 4⅝	12⅛	9.8	**118**	2.18	6	0.94	7.8
304	370	**Petrie Stores**	**66.6**	49⅜–14⅞	39⅞	14.1	**561**	3.28	12	1.50	3.8
305	747	**Garfinckel Brooks Bros**	**66.3**	29⅛– 6⅜	19⅛	4.3	**82**	2.85	7	1.14	6.0
306	207	**Fleming Companies**	**66.3**	23½– 8½	16⅝	6.3	**104**	2.31	7	0.90	5.4
307	126	**Kaiser Alum & Chem**	**66.0**	20¼– 6	16½	39.8	**656**	3.48	5	1.00	6.1
308	920	**Shopwell**	**65.0**	6 – 1¼	4⅛	1.6	**7**	0.40	10	none	0.0
309	490	**Morton-Norwich**	**64.9**	34⅞–10	30½	13.4	**410**	3.01	10	1.28	4.2
310	566	**Revco D S**	**64.6**	31½– 5½	24⅜	13.3	**323**	2.28	11	0.64	2.6
311	133	**Revere Copper**	**64.5**	21¾– 5⅞	12¾	5.7	**72**	3.10	4	none	0.0
312	488	**Tecumseh Products**	**64.2**	67 –18	55	5.5	**301**	8.37	7	4.80	8.7
313	60	**Pittston**	**63.9**	47 –10½	18	37.5	**675**	0.20	–	1.20	6.7
314	756	**Pan Am World Airways**	**63.6**	10¾– 1¾	6¾	54.8	**370**	2.49	3	none	0.0
315	494	**Foremost-McKesson**	**63.4**	23½– 9¼	19	12.6	**239**	3.81	5	1.24	6.5
316	422	**Cyclops**	**63.2**	33⅜–15¼	25½	2.1	**54**	7.59	3	1.82	7.1
317	264	**Pennwalt**	**62.2**	42½–14¾	33¼	8.3	**275**	4.63	7	2.20	6.6
318	599	**Dow Jones**	**62.0**	39 –14¾	32	15.5	**494**	2.71	12	1.44	4.5
319	398	**Turner Construction**	**61.9**	35¾–10⅛	25½	1.1	**28**	3.27	8	1.80	7.1
320	476	**PPG Industries**	**61.4**	39⅞–13⅜	24¾	31.5	**780**	3.31	7	1.72	6.9
321	71	**Univar**	**61.3**	15¾– 4¼	7⅛	6.8	**48**	1.07	7	0.56	7.9
322	159	**Smith International**	**61.2**	50½–10⅛	45¾	9.6	**439**	5.26	9	0.92	2.0
323	24	**Harnischfeger**	**61.2**	24⅛– 5⅛	14⅜	8.8	**129**	2.01	7	1.00	6.8
324	452	**Springs Mills**	**61.0**	20⅞– 8¼	16½	8.7	**143**	1.89	9	1.05	6.4
325	135	**Pioneer Hi-Bred Intl**	**60.8**	24¾–12⅛	20½	15.9	**326**	1.70	12	0.72	3.5
326	802	**National Svc Inds**	**60.6**	17⅞– 5⅞	14¼	12.9	**183**	2.35	6	0.92	6.5
327	499	**Roper Corp**	**59.5**	30¼– 8¾	22⅛	2.7	**60**	4.99	4	1.80	8.1
328	*	**Dean Witter Reynolds**	**59.3**	21⅝– 4¼	11¾	7.9	**93**	2.65	4	0.80	6.8
329	757	**Nationwide Corp**	**59.1**	18⅛– 5	17½	10.2	**179**	3.20	5	0.50	2.9
330	326	**Transway Intl**	**58.9**	29⅞–10⅝	22¼	6.5	**145**	4.34	5	1.60	7.2
331	635	**Borg-Warner**	**58.9**	34⅜–12½	29	20.6	**597**	5.93	5	2.00	6.9
332	191	**Godfrey**	**58.8**	18 – 7⅝	13¾	0.8	**11**	2.95	5	1.00	7.3
333	5	**Earth Resources**	**58.1**	21¾– 6¾	14⅝	5.2	**77**	2.08	7	1.00	6.8
333	142	**Pennzoil**	**58.1‡**	35¾–12¾	29¼	32.4	**946**	3.30	9	2.00	6.8
335	138	**Ark Louisiana Gas**	**57.8**	36⅜–12⅝	31¼	12.6	**393**	4.21	7	2.20	7.0
336	279	**Texas Gas Transmn**	**57.7**	49 –20⅛	38¼	9.9	**377**	5.75	7	2.64	6.9
337	118	**Alterman Foods**	**57.6**	19⅞– 6	13	1.4	**18**	2.54	5	0.50	3.8
338	478	**Hyster**	**57.2**	45¼– 8¾	32⅝	6.0	**195**	7.51	4	1.70	5.2
339	584	**Malone & Hyde**	**57.1**	32¾–12¼	28⅜	6.9	**195**	2.69	11	0.96	3.4
340	286	**Amer Genl Insurance**	**57.0**	29¾– 7	23¾	22.5	**534**	6.21	4	1.00	4.2
341	210	**Transco Companies**	**56.8**	24 – 4¾	18⅝	22.9	**427**	2.42	8	1.10	5.9
342	81	**Nash Finch**	**56.8**	15½– 8½	14½	3.5	**51**	2.52	6	0.96	6.6
343	220	**Copperweld**	**56.6**	26½– 8⅝	16⅞	5.6	**95**	2.30	7	1.28	7.6
344	434	**Macmillan**	**56.3**	13⅛– 3	9⅜	12.4	**117**	1.57	6	0.64	6.8
345	840	**Centex**	**55.9**	27 – 4	18⅛	11.4	**206**	2.14	8	0.20	1.1
346	579	**May Dept Stores**	**55.9**	36 –10⅝	23¼	22.2	**516**	3.73	6	1.28	5.5
347	442	**National Gypsum**	**55.0**	22⅝– 8	17⅝	16.4	**288**	3.40	5	1.32	7.5
348	276	**Intl Multifoods**	**54.8**	25½– 8⅜	18	7.9	**142**	2.70	7	1.10	6.1
349	369	**American Brands**	**54.7**	53 –27¾	49⅞	26.0	**1,298**	6.97	7	4.00	8.0
350	188	**Data General**	**54.6**	71⅜– 8⅝	58⅜	9.6	**562**	4.00	15	none	0.0
351	213	**Waldbaum**	**54.6**	13½– 3¾	9	2.4	**22**	2.55	4	none	0.0
352	432	**EG&G**	**54.2**	33 – 7	27⅜	6.5	**178**	2.23	12	0.60	2.2
353	604	**Scovill Mfg**	**54.2**	24⅞– 7	18½	9.0	**167**	3.34	6	1.40	7.6
354	344	**Reichhold Chemicals**	**53.9**	20⅛– 7¾	12½	6.9	**86**	1.93	6	0.74	5.9
355	201	**Oklahoma Natural Gas**	**53.6**	28⅝– 9⅝	21¼	10.3	**218**	3.97	5	1.60	7.5

*Not ranked last year. ‡Four-year price change.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
56	451	**Gulf & Western Inds**	**53.4%**	21½– 6½	13¼	47.9	**$635**	$3.53	4	$0.70	5.3%
57	706	**A O Smith**	**53.2**	24⅞– 6⅛	18	4.9	**88**	5.57	3	1.40	7.8
58	59	**Dravo**	**53.0**	33 –13⅜	28⅞	5.8	**169**	3.41	8	1.16	4.0
59	289	**Consol Freightways**	**52.3**	34 – 8⅝	24⅜	12.6	**308**	4.48	5	1.10	4.5
60	149	**Parsons**	**51.5**	30⅝– 4⅛	20⅝	5.3	**109**	3.82	5	1.00	4.8
61	633	**Armstrong Rubber**	**51.5**	34¼–10½	25⅜	1.7	**43**	5.04	5	1.20	4.7
61	588	**Hershey Foods**	**51.5**	27½– 8½	19⅛	13.7	**263**	3.08	6	1.30	6.8
63	391	**Crum & Forster**	**50.8**	39¼–12⅜	34⅛	12.9	**441**	8.66	4	2.08	6.1
64	433	**Dan River**	**50.8**	14⅝– 4	11⅞	5.6	**67**	1.85	6	0.88	7.4
65	96	**Schlumberger**	**50.8**	94¼–32½	88⅜	85.3	**7,536**	5.57	16	1.40	1.6
66	360	**Lucky Stores**	**50.6**	18½– 6⅝	15¾	43.3	**683**	1.63	10	0.84	5.3
67	480	**American Natl Finl**	**50.0**	14⅞– 5⅜	11¼	30.8	**347**	2.24	5	0.48	4.3
67	819	**Arden-Mayfair**	**50.0**	3¼– 1⅛	2¼	4.1	**9**	0.03	—	none	0.0
67	752	**Pay Less Drug (Cal)**	**50.0**	18⅞– 4½	10⅞	2.1	**23**	0.89	12	0.40	3.7
70	609	**Strawbridge & Clothier**	**49.5**	35 –11¾	25	1.8	**45**	5.34	5	1.40	5.6
71	911	**American Airlines**	**49.3**	19¾– 4⅞	12⅞	28.6	**368**	3.70	3	0.40	3.1
72	*	**Ryan Homes**	**48.8**	25⅝– 5½	16	6.5	**104**	2.39	7	1.00	6.3
73	598	**Charter Company**	**48.7**	8 – 2½	5½	17.5	**96**	1.02	5	0.28	5.1
74	377	**Natl Detroit Corp**	**48.5**	31¼–13⅜	28½	11.9	**340**	5.60	5	1.68	5.9
75	528	**Interco**	**48.5**	48⅜–17	36	14.5	**523**	5.94	6	2.20	6.1
76	*	**Farmers Group**	**48.4**	30⅝– 8	23¾	33.9	**805**	2.40	10	0.72	3.0
77	508	**Ward Foods**	**48.4**	12⅜– 3¾	8⅛	3.8	**31**	0.76	11	none	0.0
78	773	**Sheller-Globe**	**47.9**	15⅜– 3⅞	9⅞	6.1	**60**	2.31	4	0.70	7.1
79	208	**National Distillers**	**47.5**	27½–12⅛	18⅝	26.0	**484**	3.24	6	1.70	9.1
80	639	**Copeland**	**47.5**	25 – 6⅜	18¼	5.6	**102**	2.90	6	0.84	4.6
81	21	**Diamond Shamrock**	**47.2**	40 –10¼	19½	40.0	**780**	3.41	6	1.48	7.6
82	497	**Western Bancorp**	**47.0**	30⅛– 8⅞	24⅞	36.7	**914**	4.15	6	1.36	5.5
83	902	**Saxon Industries**	**46.4**	8⅝– 1⅞	5⅛	7.7	**39**	0.67	8	none	0.0
84	571	**Dillingham**	**46.3**	12⅞– 4⅛	7½	12.8	**96**	–0.24	def	0.52	6.9
85	362	**Celanese**	**46.3**	58 –24½	41½	14.1	**586**	5.95	7	3.00	7.2
86	980	**Ramada Inns**	**46.0**	17 – 2	9⅛	25.2	**230**	0.35	26	0.12	1.3
87	671	**Cannon Mills**	**45.2**	19⅛– 9½	15¼	8.5	**130**	2.64	6	1.12	7.3
88	87	**Northern Natural Gas**	**44.9**	53 –19⅛	35⅛	22.6	**794**	6.00	6	2.60	7.4
89	662	**Green Giant**	**44.7**	35¾–12½	28¾	3.9	**113**	2.37	12	1.08	3.8
90	282	**Eltra**	**44.6**	35¾–11⅜	27	11.4	**307**	4.06	7	1.34	5.0
91	779	**Gifford-Hill**	**44.4**	23⅞– 7½	19½	4.7	**92**	4.26	5	1.20	6.2
91	759	**Philips Industries**	**44.4**	8¾– 1⅝	4⅞	5.0	**24**	0.89	5	0.28	5.7
93	281	**U S Fidelity & Gty**	**43.9**	37¼–11¼	31½	27.5	**865**	7.14	4	2.00	6.3
94	574	**Southwest Forest Inds**	**43.6**	17 – 3⅞	11⅛	5.6	**62**	3.02	4	0.30	2.7
95	979	**Allegheny Airlines**	**43.5**	15 – 3¼	8¼	9.9	**82**	3.56	2	none	0.0
96	217	**Stone Container**	**43.4**	16¾– 5¼	10⅞	5.0	**55**	1.32	8	0.60	5.5
97	202	**Graniteville**	**43.3**	17⅜– 6⅛	11½	4.3	**49**	1.21	9	1.00	8.8
98	205	**Consol Natural Gas**	**43.3**	47⅛–16⅞	34¾	19.2	**667**	5.21	7	2.76	7.9
99	444	**Security Pacific**	**43.3**	41¼–13	31⅞	21.3	**680**	5.82	5	1.80	5.6
00	349	**Johns-Manville**	**43.2**	38¼–14⅜	23⅝	21.5	**507**	5.26	4	1.80	7.6
01	524	**U S Gypsum**	**43.2**	33⅞–13	24⅞	16.6	**414**	6.04	4	1.80	7.2
02	187	**Baker International**	**43.1**	35⅞–11¼	31⅛	29.1	**905**	2.67	12	0.44	1.4
03	661	**NN Corp**	**42.7**	30 – 7¼	26¾	4.0	**106**	5.94	5	2.00	7.5
04	400	**FMC**	**42.5**	28⅜– 9	23⅞	32.1	**765**	3.89	6	1.40	5.9
05	261	**Timken**	**42.5**	59⅜–24⅛	46½	11.0	**511**	7.51	6	3.10	6.7
06	130	**Digital Equipment**	**42.5**	60⅞–15⅛	48⅜	39.9	**1,929**	3.49	14	none	0.0
07	610	**Bemis**	**41.8**	24⅜–11¼	20¼	4.6	**94**	3.38	6	1.40	6.9
08	385	**Washington Natl Corp**	**41.5**	31⅝– 7½	23	6.5	**149**	4.23	5	1.20	5.2
09	106	**Air Prods & Chems**	**41.4**	40⅝–16⅞	26⅛	28.2	**736**	2.70	10	0.60	2.3
10	649	**RCA**	**41.2**	33⅞– 9¼	26⅛	74.8	**1,954**	3.52	7	1.40	5.4
11	715	**Di Giorgio**	**40.7**	14¼– 3	10⅜	5.7	**59**	1.57	7	0.48	4.6
12	256	**American Can**	**40.5**	43⅜–22½	36⅞	19.3	**711**	5.91	6	2.70	7.3
13	471	**Purex Industries**	**40.5**	20⅛– 7¼	15⅝	11.2	**176**	2.06	8	1.16	7.4
14	701	**Ferro**	**40.4**	35 – 9⅛	20⅛	7.5	**152**	3.34	6	1.08	5.4
15	895	**Lane Bryant**	**40.2**	23½– 7⅝	16⅛	4.7	**76**	2.16	7	0.90	5.6
16	241	**George A Hormel**	**40.0**	29⅞–15¼	24½	4.8	**118**	4.17	6	1.36	5.6
17	567	**NLT**	**39.4**	27⅞– 8¾	23⅞	34.7	**827**	3.41	7	1.00	4.2
18	675	**United States Filter**	**39.4**	17¾– 2⅞	11½	7.9	**91**	1.52	8	0.32	2.8
19	642	**Stanley Works**	**39.3**	30⅜– 8⅛	24⅛	11.8	**288**	3.27	7	1.08	4.4
20	782	**Sperry & Hutchinson**	**39.1**	23½– 6¾	16	9.0	**144**	2.87	6	1.00	6.3

Not ranked last year. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
421	*	**U S Bancorp**	**38.8%**	35 –10⅞	27¼	10.8	**$294**	$4.07	7	$1.00	3.7%
422	481	**City Investing**	**38.8**	18¼– 4	13⅞	22.5	**312**	4.11	3	1.00	7.2
423	278	**Oscar Mayer**	**38.7**	26 – 9⅛	19⅞	14.6	**290**	1.79	11	0.90	4.5
424	246	**R J Reynolds Inds**	**38.7**	70⅝–37¼	56½	48.3	**2,728**	9.24	6	3.80	6.7
425	880	**Fuqua Industries**	**38.5**	14 – 2⅞	9	12.5	**113**	1.93	5	0.40	4.4
426	542	**North Amer Philips**	**38.2**	36 –11¼	26¼	12.9	**338**	5.01	5	1.50	5.7
427	268	**West Point-Pepperell**	**38.0**	42⅜–17¾	33⅝	4.8	**162**	6.71	5	2.80	8.3
428	555	**Chromalloy American**	**37.9**	24¾– 7¾	16⅜	11.4	**187**	3.50	5	1.10	6.7
429	426	**So Calif Edison**	**37.8**	27¼–14⅝	25½	61.5	**1,569**	3.18	8	2.24	8.8
430	624	**Textron**	**37.8**	35 –11⅜	26⅞	30.1	**808**	4.32	6	1.60	6.0
431	624	**Arvin Industries**	**37.8**	23⅜– 4⅞	13⅜	6.4	**86**	3.26	4	1.00	7.5
432	230	**Marsh & McLennan**	**37.6**	68¾–30½	59½	13.9	**824**	4.65	13	3.20	5.4
433	392	**Bristol-Myers**	**37.3**	41⅞–15⅜	31¾	65.2	**2,070**	2.98	11	1.22	3.8
434	825	**Simmons**	**37.3**	24½– 9½	18⅞	7.2	**135**	0.66	29	none	0.0
435	327	**Tenneco**	**37.2**	37⅜–16¾	30⅞	95.9	**2,962**	4.43	7	2.20	7.1
436	874	**Amer Re-Insurance**	**36.6**	42⅝–10	33⅛	5.5	**182**	7.21	5	1.50	4.5
437	402	**Kimberly-Clark**	**36.4**	50¼–18⅝	44	23.4	**1,029**	6.19	7	2.60	5.9
438	41	**Cameron Iron Works**	**36.2**	53 –19¾	39½	9.5	**375**	5.17	8	0.52	1.3
439	222	**Owens-Corning Fbrgls**	**35.3**	36⅝–12⅝	28¾	30.4	**873**	4.25	7	1.20	4.2
440	123	**Reserve Oil & Gas**	**34.9**	21⅜– 3¾	10⅝	13.2	**140**	1.14	9	0.24	2.3
441	265	**Fred Meyer**	**34.8**	31⅝–10	25	5.9	**147**	3.36	7	0.44	1.8
442	413	**Eaton**	**34.8**	45⅝–18	34⅞	17.2	**600**	7.26	5	2.25	6.5
442	845	**National Tea**	**34.8**	7¼– 2	3⅞	10.0	**39**	0.71	5	none	0.0
444	546	**Fruehauf**	**34.6**	34⅛–13	26¾	12.1	**323**	6.29	4	2.20	8.2
445	341	**Continental Group**	**34.2**	37⅜–20	27½	32.5	**894**	4.01	7	2.20	8.0
446	650	**Gt Western Financial**	**34.0**	34¾– 6⅜	25⅝	14.9	**382**	5.80	4	1.00	3.9
447	852	**Amfac**	**34.0**	22¾–12½	17¼	12.4	**213**	2.97	6	1.00	5.8
448	936	**Holiday Inns**	**34.0**	32¾– 4¼	17¾	29.7	**526**	2.07	9	0.56	3.2
449	600	**Gulf United**	**33.8**	16⅜– 5⅞	13⅜	22.0	**295**	2.14	6	0.88	6.6
449	806	**Sysco**	**33.8**	33½– 8⅜	26¾	4.0	**107**	3.43	8	0.56	2.1
451	277	**General Foods**	**33.7**	36⅛–16	31¾	49.9	**1,584**	3.94	8	1.80	5.7
452	619	**Intl Harvester**	**33.5**	44⅞–16¾	34⅜	29.2	**1,002**	6.74	5	2.10	6.1
453	407	**Gannett**	**33.2**	50⅜–19½	42⅝	26.9	**1,145**	2.96	14	1.40	3.3
454	420	**So Natural Resources**	**33.0**	38⅜–13⅝	31¾	20.1	**639**	5.27	6	1.25	3.9
455	321	**CleveTrust Corp**	**32.9**	38 –16¼	32	9.2	**293**	5.68	6	2.20	6.9
456	396	**Standard Oil Calif**	**32.9**	48⅞–20⅛	46½	170.6	**7,934**	5.98	8	2.60	5.6
457	729	**Northwest Airlines**	**32.1**	37⅛–10⅝	26¼	21.6	**568**	3.36	8	0.75	2.9
458	562	**American Cyanamid**	**31.6**	32⅞–17⅛	25½	47.8	**1,219**	3.11	8	1.50	5.9
459	325	**Armco**	**31.6**	23⅝–12⅜	18¾	44.5	**834**	4.17	4	1.36	7.3
460	836	**Monfort of Colorado**	**31.4**	9¾– 3	5¾	4.9	**28**	0.39	15	0.12	2.1
461	776	**UAL**	**31.2**	45¾–13	30	24.7	**742**	11.36	3	0.80	2.7
462	293	**Parker-Hannifin**	**30.9**	30¾– 8½	23⅛	13.0	**301**	3.10	7	1.10	4.8
463	850	**Phillips-Van Heusen**	**30.9**	18 – 3¾	11⅛	3.1	**35**	0.45	25	0.60	5.4
464	318	**RR Donnelley & Sons**	**30.2**	33¾–15¾	28	18.4	**515**	2.94	10	0.88	3.1
465	304	**Deere**	**30.2**	37 –13⅞	32⅞	60.4	**1,987**	4.40	7	1.50	4.6
466	492	**Rockwell Intl**	**29.7**	38 –18	32¾	34.4	**1,125**	5.02	7	2.40	7.3
467	764	**General Host**	**29.5**	14⅞– 4¼	9⅞	1.8	**17**	0.18	55	0.60	6.1
468	552	**Nabisco**	**29.3**	28½–10¾	24¼	32.1	**779**	3.01	8	1.50	6.2
469	331	**PACCAR**	**29.3**	65 –15¼	45¼	8.2	**373**	9.85	5	2.75	6.1
470	335	**Southwestern Pub Svc**	**29.1**	16 – 8⅛	13⅞	25.9	**360**	1.64	8	1.28	9.2
471	76	**Eastern Gas & Fuel**	**28.6**	29⅛– 5⅝	14	21.8	**306**	0.12	–	0.80	5.7
472	816	**Merrill Lynch & Co**	**28.3**	33¼– 6¼	17	36.3	**616**	1.96	9	0.88	5.2
473	390	**Borden**	**28.0**	36⅜–15¼	26⅞	31.0	**834**	4.21	6	1.72	6.4
474	387	**Dayco**	**27.7**	18 – 7½	13¾	4.5	**62**	3.81	4	0.50	3.6
475	527	**Mobil**	**27.6**	72⅜–30⅝	67⅝	106.0	**7,165**	10.36	7	4.60	6.8
476	204	**Alexander & Baldwin**	**27.2**	22½–11½	14⅝	9.1	**133**	2.25	7	1.20	8.2
477	688	**Ford Motor**	**26.5**	51⅞–23	41	119.2	**4,887**	14.32	3	3.60	8.8
478	313	**NICOR**	**26.4**	33⅞–15	27½	15.5	**426**	5.54	5	2.40	8.7
479	239	**Caterpillar Tractor**	**26.2**	65 –26¼	56⅜	86.3	**4,863**	6.06	9	2.10	3.7
480	778	**Curtiss-Wright**	**26.1**	22¼– 5	13⅞	8.3	**115**	1.79	8	0.80	5.8
481	822	**Trane**	**26.1**	45⅝–11	36⅞	5.6	**206**	5.13	7	1.64	4.4
482	259	**Certain-teed**	**25.8**	28¼– 6½	18⅞	13.3	**252**	3.67	5	0.80	4.2
483	181	**Amstar**	**25.8**	26¾–11¾	14⅝	8.9	**130**	1.49	10	1.35	9.2
484	674	**First Charter Finl**	**25.7**	20⅝– 4¼	15¾	29.7	**467**	3.55	4	0.80	5.1
485	860	**Munford**	**25.5**	13½– 4	8	2.1	**17**	–1.15	def	none	0.0

*Not ranked last year. def Deficit.

It's not just one big simple world out there.

It's not just one big simple world out there, but many. Whether you have a single message for the whole world or many messages for many different markets, TIME can help.

For TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where your markets are.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
486	780	**Braniff Intl**	**25.0%**	18⅝–4½	11⅞	20.0	**$238**	$2.34	5	$0.36	3.0%
487	744	**McGraw-Edison**	**24.8**	33 –11⅛	24½	16.5	**403**	3.91	6	1.80	7.3
488	37	**St Joe Minerals**	**24.8**	50 –13⅝	22⅜	22.4	**501**	1.63	14	1.30	5.8
489	232	**Wm Wrigley Jr**	**24.8**	96½–38	63⅝	3.9	**250**	7.91	8	3.90	6.1
490	679	**Liggett Group**	**24.4**	37⅞–24⅛	36⅜	8.4	**304**	5.66	6	2.50	6.9
491	835	**GAF**	**24.3**	17⅜– 6	10⅞	13.2	**144**	0.72	15	0.68	6.3
492	501	**Briggs & Stratton**	**24.2**	33⅜–14¼	27¼	14.5	**394**	2.76	10	1.34	4.9
493	973	**Levitz Furniture**	**24.1**	34 – 6	18	4.2	**76**	3.40	5	0.60	3.3
494	58	**Intl Minerals & Chem**	**24.0**	48½–21½	35	17.9	**628**	6.22	6	2.60	7.4
495	438	**National Fuel Gas**	**23.8**	29⅝–16¼	26	5.1	**133**	3.90	7	2.38	9.2
495	393	**Pub Svc Elec & Gas**	**23.8**	26⅛–10½	22¼	63.7	**1,450**	2.86	8	2.12	9.3
497	821	**Business Men's Assur**	**23.7**	24½– 7⅛	22⅞	6.0	**136**	4.19	5	1.00	4.4
498	345	**General Refractories**	**23.5**	11¼– 4⅜	5¼	3.8	**20**	–2.20	def	none	0.0
499	439	**Commercial Metals**	**23.4**	15½– 7⅛	11⅝	2.5	**29**	2.26	5	0.60	5.2
500	472	**Tampa Electric**	**23.2**	21⅛– 8¼	17¼	15.2	**263**	2.49	7	1.32	7.7
501	301	**American Tel & Tel**	**23.2**	65⅝–39⅝	61¼	661.8	**40,863**	7.65	8	4.60	7.4
502	354	**Varian Associates**	**23.1**	21¼– 5⅜	14	7.3	**103**	1.58	9	0.40	2.9
503	287	**Owens-Illinois**	**23.1**	31⅝–14¾	19	28.4	**540**	3.26	6	1.16	6.1
504	455	**Stop & Shop**	**23.0**	21 – 7⅝	15½	4.0	**62**	3.72	4	1.10	7.1
505	108	**Morrison-Knudsen**	**23.0**	32¾– 7⅛	20½	4.5	**92**	4.71	4	1.00	4.9
506	346	**Philip Morris**	**22.9**	76¾–34⅛	70½	61.9	**4,366**	6.51	11	2.05	2.9
507	601	**American Financial**	**22.8**	26 – 6	15½	6.9	**107**	2.61	6	0.04	0.3
507	381	**Atlanta Gas Light**	**22.8**	16¾– 8½	15½	4.5	**70**	3.31	5	1.44	9.3
509	907	**Rite Aid**	**22.3**	26 – 2½	19⅞	10.4	**207**	2.10	9	0.42	2.1
510	799	**Norton Simon**	**21.8**	22⅞– 7¼	17½	48.3	**846**	2.39	7	0.92	5.3
511	683	**Wickes**	**21.8**	19½– 6⅝	13⅜	10.8	**144**	2.94	5	0.92	6.9
512	678	**Collins & Aikman**	**21.7**	15⅛– 3½	9⅛	12.4	**113**	1.86	5	0.72	7.9
513	70	**Santa Fe Intl**	**21.6**	40½– 6½	28⅞	20.9	**604**	2.58	11	0.60	2.1
514	320	**Diamond Intl**	**21.3**	42½–20½	34⅛	11.7	**398**	4.05	8	2.20	6.4
515	228	**H J Heinz**	**21.0**	44¼–18	38	22.3	**847**	4.33	9	1.80	4.7
516	397	**Wells Fargo**	**20.9**	33¼– 9½	27½	22.5	**618**	4.76	6	1.40	5.1
517	302	**DeSoto**	**20.5**	20¼– 4	11¾	5.5	**64**	2.09	6	1.00	8.5
518	379	**Culbro**	**20.5**	23⅝– 9⅝	13¼	3.2	**42**	0.68	19	1.40	10.6
519	443	**Crown Cork & Seal**	**20.3**	35¾–13⅜	27⅜	15.3	**418**	3.97	7	none	0.0
520	393	**Consolidated Edison**	**20.0**	25⅞– 6	22½	62.0	**1,395**	4.36	5	2.20	9.8
521	461	**Champion Intl**	**19.9**	28½– 9⅜	19⅝	47.6	**934**	3.41	6	1.24	6.3
522	618	**Gas Service**	**19.8**	15⅝– 8	14⅜	4.1	**60**	2.16	7	1.28	8.9
523	178	**Union Camp**	**19.6**	67⅞–24⅞	47¼	24.3	**1,147**	4.81	10	2.40	5.1
524	352	**Seafirst**	**19.5**	31½– 9⅜	24½	15.0	**368**	3.67	7	0.96	3.9
525	435	**Esmark**	**19.4**	42 –17⅜	23¾	19.9	**472**	3.67	6	1.84	7.7
526	583	**General Motors**	**19.2**	78⅞–28⅞	55	285.6	**15,709**	11.99	5	6.00	10.9
527	*	**Centl Louisiana Engy**	**19.1**	29⅛–11½	20¼	9.5	**193**	2.91	7	1.52	7.5
528	288	**Wisconsin Pub Svc**	**19.1**	22 –10¾	18¾	10.8	**202**	2.63	7	1.62	8.6
529	312	**Inland Steel**	**18.7**	58⅝–28⅜	34⅛	20.3	**694**	6.07	6	2.80	8.2
530	424	**Northern Trust**	**18.6**	42½–21	38¼	4.8	**184**	5.30	7	2.00	5.2
531	550	**El Paso Company**	**18.5**	20 – 9⅛	16	45.6	**729**	0.91	18	1.32	8.3
532	932	**Tappan**	**18.2**	12½– 3¾	8⅛	3.1	**25**	0.08	–	0.28	3.4
533	82	**Dresser Industries**	**17.9**	47¾–16½	38⅜	39.1	**1,500**	5.10	8	1.00	2.6
534	647	**Lubrizol**	**17.8**	59⅜–27¾	43⅞	19.9	**873**	3.73	12	1.44	3.3
535	183	**Kellogg**	**17.7**	28¼–10¼	18¼	76.4	**1,394**	1.86	10	1.20	6.6
536	*	**Wisconsin Gas**	**17.7‡‡**	23⅜–15½	20	4.1	**82**	2.99	7	1.92	9.6
537	*	**Liquid Air of No Amer**	**17.5‡‡**	35 –21⅝	28½	6.9	**196**	2.80	10	1.40	4.9
537	499	**New England Electric**	**17.5**	24¾–12	22⅝	20.9	**474**	3.17	7	2.10	9.3
539	507	**Stewart-Warner**	**17.4**	38⅜–16⅛	28⅝	4.2	**119**	5.15	6	2.10	7.3
540	453	**Kraft**	**17.4**	51 –26⅞	44⅝	27.9	**1,245**	6.25	7	2.80	6.3
541	371	**Murphy Oil**	**17.4**	57½–14¾	47¼	12.4	**587**	3.25	15	0.80	1.7
542	355	**New England G & E**	**17.0**	18⅞– 8⅜	15½	7.4	**114**	2.39	6	1.52	9.8
543	378	**Amer Nat Resources**	**16.7**	47½–26⅞	40¼	21.3	**855**	6.30	6	3.00	7.5
543	446	**IC Industries**	**16.7**	32½–10⅜	24½	14.7	**360**	4.28	6	1.68	6.9
545	205	**Yellow Freight System**	**16.5**	45¾–16	23	14.3	**329**	2.73	8	0.68	3.0
546	634	**Northwestern Steel**	**16.3**	46 –22¾	28½	7.5	**214**	4.72	6	1.40	4.9
547	740	**Jack Eckerd**	**16.0**	33¼–10	29	23.3	**675**	2.22	13	0.80	2.8
547	350	**General Tel & Elec**	**16.0**	33½–16⅛	29	140.4	**4,072**	4.31	7	2.48	8.6
549	440	**Equifax**	**15.8**	30¼–12	21⅛	3.3	**69**	2.73	8	2.20	10.4
550	931	**Tiger International**	**15.6**	34⅝– 6¼	23⅛	14.2	**329**	3.40	7	0.60	2.6

*Not ranked last year. ‡‡Three-year price change. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
51	•	**Ticor**	**15.5%**	29 – 9⅛	20½	6.5	**$133**	$4.00	5	$1.21	5.9%
52	623	**Lone Star Industries**	**15.0**	27⅛– 8⅝	20⅛	11.2	**226**	3.62	6	1.20	6.0
53	425	**Michigan National**	**14.9**	27⅝– 6⅞	23	7.7	**177**	5.07	5	1.00	4.3
54	731	**Saga Corp**	**14.9**	16¾– 2¾	10⅝	4.7	**49**	1.86	6	0.44	4.1
55	251	**Continental Corp**	**14.6**	29⅝–11⅝	23½	53.4	**1,255**	5.54	4	1.70	7.2
56	761	**Florida Power**	**14.6**	34¼–10⅞	31½	14.4	**453**	4.49	7	2.76	8.8
57	481	**Baltimore Gas & Elec**	**14.4**	28½–12⅛	25¾	30.7	**791**	3.36	8	2.28	8.9
58	404	**Potomac Elec Power**	**14.4**	16⅝– 8⅜	13⅞	40.3	**559**	1.77	8	1.34	9.7
59	382	**Mellon National Corp**	**14.3**	30⅞–14½	25	19.6	**490**	4.01	6	1.60	6.4
60	52	**Kaiser Steel**	**14.2**	47½–15½	18⅛	7.0	**127**	–1.01	def	1.50	8.3
61	174	**Georgia-Pacific**	**13.9**	37⅜–13⅜	25⅜	102.7	**2,607**	2.83	9	1.10	4.3
62	15	**Archer Daniels Midland**	**13.8**	28¼– 7⅜	13⅜	32.9	**440**	1.60	8	0.20	1.5
63	203	**Union Oil California**	**13.7**	59⅞–27¼	57⅛	43.9	**2,510**	7.81	7	2.40	4.2
64	518	**Ohio Casualty**	**13.6**	29⅜– 7¾	24½	11.6	**284**	5.65	4	1.12	4.6
65	617	**Crocker Natl Corp**	**13.6**	30¼–13⅛	25⅛	11.8	**296**	5.30	5	1.80	7.2
66	225	**Marathon Oil**	**13.5**	60⅞–26½	55⅝	30.2	**1,680**	6.90	8	2.20	4.0
67	368	**Panhandle Eastern**	**13.5**	50⅜–19½	38⅞	18.0	**699**	6.20	6	2.80	7.2
68	551	**Charter New York**	**13.5**	35½–18	30½	8.5	**258**	5.85	5	2.24	7.3
69	645	**Federated Dept Stores**	**13.3**	60 –20⅛	31⅞	48.2	**1,536**	4.13	8	1.70	5.3
69	845	**M Lowenstein & Sons**	**13.3**	19⅞– 8½	14⅞	3.3	**49**	1.83	8	0.40	2.7
71	311	**Ideal Basic Inds**	**13.1**	28 –10⅛	20½	13.1	**268**	3.62	6	1.60	7.8
72	970	**Questor**	**13.1**	12½– 2⅞	6⅞	9.6	**66**	0.46	15	0.20	2.9
73	489	**J P Stevens**	**13.0**	26⅝–10	14⅛	11.7	**166**	2.93	5	1.20	8.5
74	702	**United Brands**	**12.9**	15½– 2⅛	8¼	10.9	**95**	1.20	7	0.15	1.7
75	526	**United Telecom**	**12.8**	21½–10⅝	18¼	59.1	**1,107**	2.49	8	1.44	7.7
76	186	**Union Pacific**	**12.6**	60¼–25¾	52	47.5	**2,471**	5.22	10	2.30	4.4
77	437	**PepsiCo**	**12.4**	33⅞– 9¾	26	92.9	**2,415**	2.36	11	1.00	3.8
78	951	**Browning-Ferris Inds**	**12.0**	16 – 4¼	12⅞	16.8	**216**	1.31	10	0.60	4.7
79	365	**W R Grace**	**11.8**	33⅞–18	27¼	38.5	**1,048**	4.11	7	1.90	7.0
80	710	**Cummins Engine**	**11.6**	58½–11⅝	35	8.3	**291**	7.13	5	1.80	5.1
81	462	**Washington Gas Light**	**11.5**	27 –10	23	4.4	**100**	2.89	8	2.28	9.9
82	927	**Western Union**	**11.5**	22 – 8½	15¾	15.2	**239**	2.51	6	1.40	8.9
83	695	**Freeport Minerals**	**11.3**	31⅞–17¼	28¼	14.0	**395**	1.25	23	1.60	5.7
84	796	**Western Air Lines**	**11.1**	14⅝– 5½	9⅜	12.7	**119**	3.23	3	0.40	4.3
85	817	**Consolidated Foods**	**11.0**	27¼–10½	22⅝	29.3	**664**	3.31	7	1.60	7.1
86	•	**Edward Hines Lumber**	**11.0**	52½–21	40½	0.9	**35**	10.01	4	3.00	7.4
87	445	**Duke Power**	**10.9**	23½–10	19⅛	71.5	**1,367**	2.55	8	1.80	9.4
87	677	**Scott & Fetzer**	**10.9**	36⅛– 8⅛	25½	7.3	**187**	4.09	6	1.60	6.3
89	577	**Pacific Lighting**	**10.7**	21¾–13⅞	20¾	23.4	**485**	3.07	7	2.00	9.6
90	•	**Auto Data Processing**	**10.6**	36⅜–10⅜	30	15.0	**449**	1.91	16	0.52	1.7
91	704	**Brown Group**	**10.6**	30 –13⅜	23½	7.3	**172**	4.39	5	1.80	7.7
92	924	**Zale**	**10.3**	25⅛– 8¾	16⅛	12.7	**205**	2.52	6	1.00	6.2
93	596	**Fairmont Foods**	**10.1**	17 – 6	9½	4.4	**42**	1.05	9	0.76	8.0
94	412	**General Signal**	**10.1**	33¾– 8⅝	27¼	23.4	**637**	2.77	10	1.00	3.7
95	299	**Utah Power & Light**	**10.0**	23¼–11	19¼	30.8	**592**	2.02	10	1.76	9.1
96	493	**Beatrice Foods**	**9.9**	28½–12⅛	23½	95.5	**2,245**	2.52	9	1.08	4.6
97	373	**Koehring**	**9.7**	25¾– 3½	17	3.0	**50**	3.35	5	1.00	5.9
98	337	**Campbell Soup**	**9.6**	39⅝–22¼	32⅞	33.8	**1,112**	3.69	9	1.76	5.4
99	978	**Trans World Airlines**	**9.5**	30⅝– 4¾	17⅜	15.9	**276**	5.75	3	none	0 0
00	•	**Kuhn's-Big K Stores**	**9.1**	10⅝– 1⅜	4	2.6	**10**	0.03	–	0.15	3.8
01	549	**Arizona Public Serv**	**9.0**	21⅝–11⅛	19¼	29.2	**576**	3.24	6	1.88	9.5
02	366	**BankAmerica Corp**	**8.8**	30⅝–12	25⅜	145.9	**3,701**	3.27	8	1.10	4.3
03	307	**Harris Bankcorp**	**8.7**	39⅛–18⅛	28¼	6.8	**191**	4.36	6	1.66	5.9
04	558	**IBM**	**8.6**	304½–150½	268	145.7	**39,056**	19.72	14	11.52	4.3
05	823	**Rollins Inc**	**8.6**	27⅜– 6⅜	19	13.4	**255**	2.05	9	0.60	3.2
06	620	**B F Goodrich**	**8.4**	33⅝–12½	17¾	14.7	**261**	3.56	5	1.32	7.4
07	908	**CNA Financial**	**8.3**	13¾– 2¼	9¾	34.2	**334**	3.25	3	none	0.0
08	431	**Olympia Brewing**	**8.0**	60¼– 7½	13½	2.6	**35**	2.37	6	0.90	6.7
09	353	**Central Tel & Utils**	**7.8**	27¼–13	24¼	23.4	**569**	2.99	8	1.68	6.9
10	69	**MAPCO**	**7.8**	50⅛–14	27¾	18.8	**523**	2.94	9	1.30	4.7
11	586	**Genuine Parts**	**7.7**	42½–17	36⅝	18.0	**659**	2.67	14	1.10	3.0
12	486	**Republic Steel**	**7.3**	40⅜–20⅞	25¾	16.2	**417**	5.36	5	1.80	7.0
13	418	**General Mills**	**7.3**	35⅜–14⅛	29½	49.9	**1,473**	2.79	11	1.16	3.9
14	374	**Rochester Gas & Elec**	**7.2**	21½– 9	16⅞	14.6	**246**	2.44	7	1.44	8.5
15	140	**Foxboro**	**7.1**	40⅛–12⅜	32½	8.2	**267**	3.78	9	1.10	3.4

• Not ranked last year. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
616	699	Florida Power & Lt	7.1%	29⅜–13½	26⅜	40.2	$1,061	$4.36	6	$2.08	7.9
617	456	Scott Paper	7.0	24⅛– 9⅝	15¼	38.6	589	1.77	9	0.84	5.5
618	86	Joy Manufacturing	6.9	50⅞–12½	29	13.0	376	3.01	10	1.64	5.7
618	484	St Louis-San Fran Ry	6.9	43⅜–21¼	36¾	2.6	97	7.31	5	2.50	6.8
620	380	Gulf Oil	6.9	30⅞–16	25¼	195.0	4,924	3.66	7	1.90	7.5
621	638	So Carolina E & G	6.8	21 – 8¾	17⅝	22.2	391	2.42	7	1.62	9.2
622	468	INA	6.8	47⅞–19¼	37⅜	24.9	932	8.00	5	2.60	7.0
623	334	Exxon	6.8	56⅞–27½	50¼	447.4	22,482	5.57	9	3.40	6.8
624	791	Goodyear	6.6	25¼–11¾	16¼	71.5	1,161	2.73	6	1.30	8.0
625	427	Columbia Gas System	6.5	32¾–15½	26¾	32.5	869	3.99	7	2.34	8.7
626	410	Safeway Stores	6.4	52⅝–29⅝	39⅜	26.1	1,027	4.99	8	2.60	6.6
627	306	Pac Gamble Robinson	6.3	27½–14¼	22½	1.9	42	3.48	6	1.50	6.7
628	175	Westvaco	6.2	33⅞–12⅜	25¾	16.9	435	3.90	7	1.32	5.1
629	734	Superior Oil	5.8	330 –134	312	4.0	1,249	9.10	34	2.80	0.9
630	812	Intl Tel & Tel	5.7	36⅜–12	27⅞	106.5	2,969	4.10	7	2.20	7.9
631	17	Foster Wheeler	5.7	40¼– 6¼	30¼	8.2	249	4.53	7	1.10	3.6
632	483	Niagara Mohawk Pwr	5.6	17¼– 7⅝	14⅛	61.8	873	1.89	7	1.44	10.2
633	262	Wisconsin Elec Power	5.6	32¾–16	26⅛	18.3	479	3.56	7	2.24	8.6
634	479	Winn-Dixie Stores	5.4	34⅝–17	30¼	25.7	778	3.12	10	1.44	4.8
635	559	Brooklyn Union Gas	5.4	22⅛–11	19½	7.5	145	3.01	6	1.90	9.7
636	494	Union Electric	5.4	16¾– 8⅞	14¾	51.2	755	1.95	8	1.44	9.8
637	336	Hammermill Paper	4.7	26⅞–10⅞	19½	7.5	147	2.87	7	1.40	7.2
638	509	So New England Tel	4.6	40¾–25½	37	11.7	433	5.84	6	3.20	8.6
639	554	Union Carbide	4.4	76¾–31¾	35⅝	64.7	2,304	5.79	6	2.80	7.9
640	833	National-Standard	4.2	23⅞–10⅜	15⅝	4.1	64	2.95	5	1.16	7.4
641	576	Bank of New York	4.1	38 –22	31¾	6.0	191	5.75	6	2.44	7.7
642	627	Dun & Bradstreet Cos	3.9	38⅜–13½	33½	27.9	935	2.41	14	1.40	4.2
643	340	Standard Oil Ind	3.9	59⅝–34⅞	53⅞	146.2	7,875	7.10	8	2.80	5.2
644	794	Delta Air Lines	3.8	58 –25⅜	41½	19.9	825	6.89	6	1.00	2.4
645	863	Pacific Resources	3.6	11⅜– 4½	10½	5.8	61	1.39	8	0.50	4.8
646	376	Natomas	3.6	52⅞–18¼	40⅜	8.3	336	8.38	5	1.80	4.5
647	358	Laclede Gas	3.5	24⅛–11⅝	18⅜	4.4	80	3.43	5	1.86	10.1
648	746	F W Woolworth	3.4	27⅛– 8	19	29.3	557	3.97	5	1.40	7.4
649	605	Suburban Propane Gas	3.1	24⅞–10⅛	16¾	4.6	77	3.03	6	1.32	7.9
650	401	Public Service Ind	2.8	31⅞–15⅝	24¾	26.8	663	2.78	9	2.16	8.7
651	441	Pa Power & Light	2.5	25⅛–13	20½	37.9	777	2.93	7	1.92	9.4
652	615	Public Service Colo	2.2	20¼– 9¾	17⅛	28.9	495	1.58	11	1.60	9.3
653	410	General Public Utils	2.2	21⅝– 9½	17¾	59.5	1,056	2.32	8	1.80	10.1
654	124	Hughes Tool	2.1	52½–18⅜	43⅝	11.6	508	4.14	11	0.92	2.1
655	372	Aetna Life & Casualty	2.0	45¾–15⅛	38⅛	53.9	2,054	8.93	4	2.20	5.8
655	541	Hewlett-Packard	2.0	120½–52	82½	28.8	2,373	4.65	18	0.60	0.7
657	449	Savannah Foods	2.0	21 –13¼	14¾	1.9	27	2.58	6	1.40	9.5
658	637	San Diego Gas & Elec	1.7	16⅜–10	15	25.4	380	2.33	6	1.44	9.6
659	966	Rapid-American	1.7	17 – 3	15¼	7.9	120	5.56	3	0.20	1.3
660	608	Long Island Lighting	1.5	20⅜– 9⅝	17⅜	51.2	890	2.65	7	1.70	9.8
661	716	United Refining	1.4	22¼– 5	18⅛	1.6	29	4.31	4	0.72	4.0
662	742	Houston Industries	1.4	36⅛–16½	28	30.9	864	4.31	6	2.12	7.6
663	605	Provident Life & Acc	1.4	53 –18	45	9.8	443	6.38	7	1.08	2.4
664	216	Atlantic Richfield	1.2	61⅞–36½	55	104.1	5,725	6.18	9	2.40	4.4
665	719	American Intl Group	1.0	58 –20½	48½	31.7	1,538	4.74	10	0.34	0.7
666	497	N Y State Elec & Gas	1.0	21¾–10	17½	25.6	448	2.61	7	1.68	9.6
667	421	Kellwood	0.9	23½– 6½	13⅞	3.4	47	3.00	5	1.12	8.1
668	375	Amerace	0.7	26⅜–11⅝	17⅜	2.4	41	3.57	5	1.20	6.9
669	871	Outboard Marine	0.7	36½–10	17⅝	8.3	147	3.14	6	1.40	7.9
670	801	VF Corp	0.7	28¾– 9	17⅞	9.9	177	3.03	6	1.40	7.8
671	603	ENSERCH	0.5	24½–10⅞	17¾	29.3	519	2.10	8	1.36	7.7
672	690	Carnation	0.3	41½–19⅜	29⅛	37.3	1,087	3.12	9	1.30	4.5
673	254	Shell Oil	0.2	40 –15⅛	34	149.2	5,073	5.49	6	1.80	5.3
674	611	Carolina Pwr & Lt	0.0	25⅜–10½	21⅛	40.2	849	3.32	6	1.96	9.3
674	512	Franklin Life Ins	0.0	29 –11⅝	26	21.0	546	2.49	10	1.12	4.3
674	621	Girard	0.0	25 –14¼	22¼	5.0	110	4.36	5	1.84	8.3
674	736	Va Electric & Power	0.0	15¾– 6⅞	14½	80.0	1,159	1.93	8	1.32	9.1
678	915	U S Industries	–0.2	10 – 2	7⅞	28.8	227	1.49	5	0.64	8.1
679	168	Continental Oil	–0.2	40⅞–14½	27¼	107.4	2,925	3.52	8	1.50	5.5
680	430	Connecticut General	–0.7	42½–14⅞	36	41.0	1,475	6.20	6	1.08	3.0

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
80	760	**Sunbeam**	**–0.7%**	28¼– 9¾	18	14.9	**$267**	$2.83	6	$1.40	7.8%
82	700	**Marshall Field**	**–0.7**	35¼–12¼	17⅜	10.3	**178**	1.82	10	1.24	7.1
83	536	**Travelers**	**–0.8**	40⅝–15¼	33¼	43.1	**1,433**	8.38	4	1.68	5.1
84	99	**Natl Semiconductor**	**–0.8**	55⅜– 6¼	21	13.1	**275**	1.96	11	none	0.0
85	172	**Amer Hoist & Derrick**	**–0.8**	26⅝– 7½	15⅛	5.5	**83**	2.26	7	1.00	6.6
86	664	**Pacific Gas & Elec**	**–1.1**	25½–17	22⅝	98.4	**2,226**	2.96	8	2.16	9.5
87	653	**Safeco**	**–1.2**	32⅛–12	26¾	19.6	**523**	5.72	5	1.50	5.6
88	705	**Libbey-Owens-Ford**	**–1.5**	37⅜–12½	24⅜	11.1	**270**	5.43	4	2.30	9.4
89	463	**Continental Illinois**	**–1.7**	32⅞–11⅝	25½	39.2	**998**	4.42	6	1.44	5.6
90	563	**Consumers Power**	**–2.2**	25⅞– 9	22¼	46.6	**1,037**	2.98	7	2.24	10.1
91	588	**Fedl Natl Mortgage**	**–2.2**	20¾–11⅛	16⅜	53.9	**883**	3.72	4	1.28	7.8
92	631	**BancOhio Corp**	**–2.5**	27 –10½	19½	7.7	**150**	3.63	5	1.30	6.7
93	898	**Control Data**	**–2.6**	44½– 9½	32¾	16.8	**551**	4.56	7	0.25	0.8
94	212	**Halliburton**	**–2.8**	78⅜–34⅝	62⅝	58.7	**3,679**	6.67	9	1.80	2.9
95	890	**Warnaco**	**–2.8**	13⅞– 5½	8⅝	3.7	**32**	1.65	5	none	0.0
96	*	**Kerr Glass Mfg**	**–2.8‡‡**	22 – 9⅝	12⅞	3.9	**50**	2.42	5	0.40	3.1
97	464	**No States Power**	**–3.0**	30½–15¼	24½	29.3	**718**	3.35	7	2.16	8.8
98	814	**Jewel Companies**	**–3.0**	29⅜–16½	20⅛	11.0	**222**	2.72	7	1.44	7.2
99	119	**Standard Oil Ohio**	**–3.3**	45⅝–18⅞	37¼	117.7	**4,384**	3.37	11	0.88	2.4
00	581	**W W Grainger**	**–3.6**	38 –15½	33⅜	14.1	**469**	2.67	13	0.76	2.3
01	582	**National Steel**	**–3.7**	52¼–28¾	29⅛	19.4	**564**	4.72	6	2.50	8.6
02	403	**Standard Brands**	**–3.9**	40⅝–20	23⅜	27.9	**653**	2.59	9	1.36	5.8
03	294	**Louisiana-Pacific**	**–3.9**	24⅛– 6⅜	19¼	27.6	**531**	2.61	7	0.60	3.1
04	975	**Arlen Realty & Dvpt**	**–4.2**	5¼– 1	2⅞	21.8	**63**	–6.03	def	none	0.0
05	324	**Southern Railway**	**–4.7**	62¾–32⅛	48½	14.8	**716**	7.64	6	2.88	5.9
06	749	**Illinois Tool Works**	**–5.1**	30 –15¼	23¼	12.2	**284**	2.59	9	0.80	3.4
07	122	**Getty Oil**	**–5.3**	53 –24	37⅞	82.2	**3,112**	3.77	10	1.20	3.2
08	894	**Hart Schaff & Marx**	**–5.4**	16 – 4⅞	11	8.4	**93**	2.07	5	0.80	7.3
09	687	**Maytag**	**–5.5**	39 –16	23⅞	13.4	**319**	2.54	9	1.83	7.7
10	648	**Sperry Rand**	**–5.7**	51¾–23⅛	41¾	35.0	**1,462**	5.62	7	1.32	3.2
11	250	**Alcoa**	**–5.7**	61¼–25⅞	45¾	35.0	**1,600**	7.32	6	2.00	4.4
12	855	**Skyline**	**–5.7**	26 – 9½	10⅜	11.2	**116**	1.37	8	0.48	4.6
13	977	**A B Dick**	**–5.9**	17⅞– 6	13⅞	5.9	**82**	1.09	13	0.20	1.4
14	150	**Bausch & Lomb**	**–6.0**	54¼–17¾	35½	5.8	**205**	4.81	7	1.72	4.8
15	644	**Wetterau**	**–6.1**	16⅞– 7⅝	11¾	7.1	**84**	1.64	7	0.70	6.0
16	310	**Dow Chemical**	**–6.1**	57¼–22	27	182.3	**4,923**	2.97	9	1.40	5.2
17	*	**Echlin Manufacturing**	**–6.2**	18 – 7½	15⅛	14.4	**217**	1.30	12	0.44	2.9
18	568	**Delmarva Power & Lt**	**–6.4**	15⅛– 7⅛	12⅞	21.5	**277**	1.91	7	1.28	9.9
19	684	**Longs Drug Stores**	**–6.4**	41½–15¼	27¼	10.6	**288**	2.02	13	0.64	2.3
20	748	**Fed-Mart**	**–6.6**	22½–11⅛	16¼	2.2	**36**	1.42	11	0.60	3.7
21	626	**Procter & Gamble**	**–6.7**	105⅞–67	85⅞	82.6	**7,097**	6.39	13	3.00	3.5
22	717	**Seaboard Coast Line**	**–6.7**	39⅛–17⅞	29¾	14.6	**434**	4.81	6	2.20	7.4
23	811	**Chic Pneumatic Tool**	**–6.7**	35¾–19¾	26	5.3	**138**	3.27	8	2.00	7.7
24	632	**Republic of Texas**	**–6.9**	27⅜–10⅜	23¾	17.6	**418**	3.22	7	1.00	4.2
25	934	**Honeywell**	**–7.3**	86¼–17½	65	21.8	**1,418**	7.81	8	2.20	3.4
26	899	**Royal Crown Cos**	**–7.5**	23⅜– 6⅝	13⅞	8.2	**114**	1.53	9	1.04	7.5
27	686	**Allied Products**	**–7.7**	17½– 9	12	1.8	**22**	0.26	46	0.60	5.0
27	967	**Genesco**	**–7.7**	9 – 2⅝	4½	12.6	**57**	–0.02	def	none	0.0
29	919	**Brunswick**	**–7.8**	18¾– 7⅛	13⅜	19.8	**265**	2.31	6	0.70	5.2
29	630	**G C Murphy**	**–7.8**	23⅜– 9⅝	13⅜	3.9	**52**	1.60	8	1.28	9.6
31	745	**Firestone**	**–8.3**	26 –11⅞	12½	57.6	**720**	0.07	–	1.10	8.8
31	272	**Monsanto**	**–8.3**	100 –39⅜	50	36.2	**1,810**	7.66	7	3.20	6.4
33	578	**Lincoln Natl Corp**	**–8.3**	43½–19	35¾	22.3	**799**	6.51	5	2.40	6.7
33	517	**Phila Electric**	**–8.3**	21¼– 9⅜	16½	74.7	**1,232**	1.65	10	1.80	10.9
35	590	**Detroit Edison**	**–8.4**	18 – 7½	15	65.5	**983**	1.67	9	1.52	10.1
36	707	**Boston Edison**	**–8.7**	29¼–14	23¾	11.5	**274**	2.86	8	2.44	10.3
37	460	**Ralston Purina**	**–8.7**	18¼– 9⅝	12⅝	107.8	**1,361**	1.44	9	0.50	4.0
38	829	**Household Finance**	**–8.9**	22⅛– 9¾	17⅞	45.3	**810**	3.00	6	1.45	8.1
39	753	**Central & South West**	**–9.0**	18⅛–10¾	15¼	65.0	**991**	2.25	7	1.34	8.8
40	612	**Illinois Power**	**–9.0**	28⅝–14	22¾	25.2	**572**	2.81	8	2.28	10.0
41	548	**Commonwealth Edison**	**–9.0**	32¾–19¼	26½	75.4	**1,997**	3.26	8	2.40	9.1
42	319	**Cities Service**	**–9.1**	63 –32¾	53½	27.7	**1,480**	7.32	7	3.20	6.0
43	423	**Columbus & So Ohio**	**–9.3**	28⅝–12	21⅞	16.1	**352**	1.90	12	2.32	10.6
44	765	**Philadelphia Natl**	**–9.5**	36¼–19¼	28½	5.8	**186**	4.79	6	2.40	8.4
45	726	**Middle South Utils**	**–9.6**	18 – 9⅛	15¼	76.0	**1,159**	2.36	6	1.52	10.0

Not ranked last year. ‡‡Three-year price change. def Deficit.

The Forbes specials for 1979

JANUARY 8

The FORBES Thirty-first Annual Report on American Industry

This annual reference issue analyzes more than 1,000 of America's largest corporations based on the exclusive FORBES statistical yardsticks of management performance. Companies are ranked in the following lists: profitability, growth and stock market performance. These leading firms are also arranged by industry groups and sub-groups and ranked against their competitors.

An accurate and often-used start-of-the-year guide to who is where in the major management community—and why.

PUBLISHED

Try for 1980

MAY 14

FORBES Eleventh Annual Directory to America's Leading Corporations

The Annual FORBES 500s present the most complete record of the year on American Business. Filled with facts, figures and editorial evaluations on the progress of about 800 companies, special emphasis is focused on the top 500 companies in assets, sales, net profits and stock market value. From banks to utilities, the Directory ranks all companies and spotlights management performances. Useful guidelines for understanding long-range trends are included in this valuable reference issue.

A reader service card will be available to all advertisers in the issue.

Closing date for all advertising:
April 9

AUGUST 20

FORBES Twenty-fourth Annual Mutual Funds Issue

An insightful guide for astute investors, the Annual Mutual Funds Issue spotlights those funds which are outperforming the averages and earning their fees. A detailed, statistical analysis is provided to measure both the long-term and short-term performances of more than 400 different mutual funds. A special analysis of an additional 200 newer funds is also included.

A reader service card will be available to advertisers in the issue.

Closing dates:
Black and White: July 23
Four-Color: July 16

APRIL 30

FORBES 1979 Annual Report Advertising Section

Here's the ideal place to advertise your annual report to FORBES' investment-minded audience (92% of FORBES' subscribers own corporate stock with an average value of $232,000 and 73% help make investment decisions for others).

The 1978 Annual Report Advertising Section generated a total of approximately 825,000 responses for 163 advertisers. It is an inexpensive and highly efficient means of putting your corporate story into the hands of those who are actively involved in the stock market.

All advertisements displayed in the section cost only $1,580 for ⅛ page black and white units.

A reader service card will be available to all advertisers in the Annual Report Advertising Section.

Closing date for copy and illustration: March 16

OCTOBER 29

FORBES Industrial Development Advertising Section

This multi-page advertising section is devoted exclusively to industrial development and plant site advertisers. It is an ideal location for advertisers to reach one of the most powerful and influential business audiences in America. Forty-six percent of FORBES' subscribers are in top management, one out of six is a Board Chairman, Director, President or Chief Executive Officer. Last year's advertisers in this special section received an average of well over 600 inquiries, with each inquiry including name, title and company of respondent.

All advertisements in this section are moderately-priced at $3,180 for ¼-page black and white units.

A reader service card will be available to all advertisers in the Industrial Development Advertising Section.

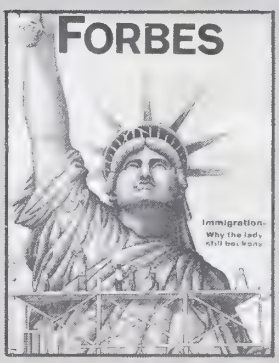
Closing date for copy and illustration: September 17

Three out of four corporate officers in America's largest companies read FORBES regularly. That's more than read Business Week, Fortune, Newsweek, Time or U.S. News & World Report. The high level of readership that FORBES enjoys among the most important leaders in the U.S. has been confirmed repeatedly in studies by leading independent research firms, such as Erdos and Morgan, Inc.

Top executives read and rely on FORBES because it provides them with the business information they need in making major decisions that affect the operations and profits of their companies.

Shown at left are five special opportunities to tell your corporate or product story effectively and efficiently to the most important audience of influential executives in the U.S.—and in highly compatible environments.

Plan now to advertise in one or more of these issues. Your advertising messages will enjoy the added benefit of repeated opportunities for exposure because the issues will be read and referred to frequently by those who own and run American business.



FORBES: CAPITALIST TOOL

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
746	565	Chemical New York	–9.6%	47½–26½	37½	14.9	$ 558	$6.82	5	$3.16	8.4%
747	162	United States Steel	–9.8	59⅜–22⅛	22⅝	85.1	1,926	1.86	12	1.60	7.1
748	408	Mfrs Hanover Corp	–9.9	41⅜–19½	32⅞	32.6	1,071	5.44	6	2.08	6.3
749	*	Dynalectron	–10.0	6¾– 1¾	3⅜	6.5	22	0.08	42	0.07	2.1
750	491	Nalco Chemical	–10.1	36½–13	26¾	19.7	527	1.83	15	1.24	4.6
751	189	Phillips Petroleum	–10.6	36⅜–15⅞	30⅝	153.9	4,714	3.63	8	1.20	3.9
752	469	Cincinnati G & E	–10.7	25⅞–13⅛	19⅞	23.7	471	2.43	8	1.96	9.9
752	872	ERC	–10.7	43½–10½	33½	5.1	172	7.41	5	1.00	3.0
754	947	Howard Johnson	–10.8	17⅜– 4	10⅜	22.0	228	1.52	7	0.40	3.9
755	694	Gamble-Skogmo	–10.9	39¼–17	26⅝	4.0	106	3.95	7	1.40	5.3
756	520	Southern Company	–10.9	18⅛– 7⅞	14¼	137.7	1,962	1.51	9	1.54	10.8
757	900	Beneficial Corp	–11.1	27⅝–11¾	23	22.0	505	3.86	6	1.80	7.8
758	783	Peabody Intl	–11.1	28¼– 7⅝	22½	8.6	194	2.44	9	0.28	1.2
759	925	Walt Disney	–11.4	60¼–15⅜	38⅛	32.2	1,228	3.04	13	0.48	1.3
760	300	Santa Fe Industries	–11.4	42½–21½	30⅛	27.7	834	5.56	5	2.20	7.3
761	901	City Stores	–11.5	5 – 1⅜	2⅞	3.3	9	1.01	3	none	0.0
762	182	Chessie System	–11.8	43⅛–18½	26¼	19.5	513	2.83	9	2.32	8.8
762	880	Clark Oil & Refining	–11.8	21½– 6½	15	7.1	107	1.58	9	0.60	4.0
762	656	General Reinsurance	–11.8	221 –99	180	5.4	980	18.11	10	2.60	1.4
765	976	Jonathan Logan	–11.9	18¾– 3⅞	13	5.1	67	1.92	7	0.60	4.6
766	654	Becton, Dickinson	–12.0	42⅞–20⅜	33	19.0	628	2.78	12	0.84	2.5
767	470	Zapata	–12.1	19¾– 7	11⅞	8.1	96	1.08	11	0.30	2.5
768	738	Texas Utilities	–12.2	25¼–15¼	19⅞	80.0	1,590	2.60	8	1.52	7.6
769	525	Allegheny Power	–12.5	22⅝–11¾	17½	34.5	603	1.80	10	1.72	9.8
769	557	BanCal Tri-State	–12.5	26¼–10⅞	21	4.4	92	7.31	3	0.72	3.4
769	972	Pamida	–12.5	9¾– 2⅝	4⅜	9.2	40	0.42	10	0.12	2.7
772	957	Clorox	–12.8	15⅞– 5½	11⅞	22.7	269	1.48	8	0.68	5.7
773	569	Central Ill Pub Svc	–13.0	16⅛– 8½	12½	21.4	267	1.51	8	1.28	10.2
774	670	No Indiana Pub Svc	–13.1	21¼–11¾	15¾	30.5	480	1.75	9	1.50	9.5
775	668	Greyhound	–13.4	18⅝– 9¾	12⅛	43.9	532	1.38	9	1.04	8.6
776	651	Masco	–13.4	31¾– 9½	19⅜	25.5	494	2.17	9	0.52	2.7
777	315	St Regis Paper	–13.5	50½–18	29¾	31.6	940	3.75	8	1.80	6.1
778	580	American Elec Power	–13.5	27⅛–13½	21⅝	109.7	2,373	2.41	9	2.18	10.1
779	321	AMAX	–13.7	60¼–28¾	44¼	32.5	1,438	1.69	26	2.20	5.0
780	503	Cal-Maine Foods	–13.7	7 – 2¾	5	2.5	12	–0.38	def	none	0.0
781	800	Keystone Consolidated	–13.7	22½–10	11	1.9	21	0.85	13	none	0.0
782	950	Rohr Industries	–13.9	20½– 4	14¾	4.1	61	2.48	6	none	0.0
783	722	Gulf States Utils	–13.9	16 – 8¾	12½	38.0	470	1.70	7	1.24	10.0
784	595	First City Bancorp	–13.9	41½–14¼	34	11.2	380	4.43	8	1.32	3.9
785	459	Lukens Steel	–14.0	19⅝– 8	14¼	5.2	74	3.01	5	0.96	6.7
786	720	Northeast Utilities	–14.3	12½– 5½	9¾	64.9	633	1.11	9	1.02	10.5
787	504	Jefferson-Pilot	–14.3	38¾–20½	30⅝	23.2	709	3.73	8	1.04	3.4
788	884	Ceco	–14.4	19⅜– 9⅛	11⅛	3.3	37	0.56	20	0.60	5.4
789	192	J Ray McDermott	–14.5	31½–12⅛	22⅞	32.0	732	4.34	5	1.00	4.4
790	447	Cleveland Elec Illum	–14.5	23⅜–13½	17⅞	35.7	637	2.26	8	1.84	10.3
790	711	A C Nielsen	–14.5	28⅞– 6⅜	24¼	10.8	263	2.21	11	0.76	3.1
792	691	Baxter Travenol	–14.8	51⅜–24⅛	41	33.3	1,366	2.62	16	0.40	1.0
793	535	Duquesne Light	–15.1	21¾–11	16⅞	31.8	536	1.25	14	1.72	10.2
794	781	Burlington Inds	–15.2	34 –13⅝	17½	28.0	490	2.50	7	1.40	8.0
795	285	Norfolk & Western Ry	–15.2	37 –16¾	22⅛	31.2	689	3.04	7	1.84	8.3
796	959	Cook United	–15.3	7¼– 7⅛	3⅞	5.9	23	0.14	28	none	0.0
797	485	Allegheny Ludlum	–15.8	28⅞–13⅜	15½	7.3	113	2.17	7	1.28	8.3
798	538	Ohio Edison	–16.1	21½–10⅞	17	51.6	877	1.28	13	1.76	10.4
799	732	AMP	–16.1	45¼–20⅜	32⅝	36.7	1,198	2.48	13	0.60	1.8
800	248	Crown Zellerbach	–16.1	49 –19¾	30⅝	25.0	767	3.72	8	1.90	6.2
801	*	Central Illinois Lt	–16.5	20¾–10	15⅞	10.1	161	1.83	9	1.60	10.1
802	657	Texaco	–16.6	32⅞–20	24½	271.5	6,651	2.81	9	2.00	8.2
803	857	Goldblatt Brothers	–16.7	6½– 2⅝	3¾	3.0	11	–0.40	def	none	0.0
804	613	Amerada Hess	–16.9	35⅝–11¾	28	26.5	743	2.96	9	1.00	3.6
805	724	Whirlpool	–16.9	34¾–11	20⅞	36.2	755	3.00	7	1.20	5.7
806	857	Quaker Oats	–17.3	31¼–11	23⅞	20.0	476	3.47	7	1.20	5.0
807	78	North American Coal	–17.4	29 – 7½	17¼	3.4	58	2.04	8	0.56	3.2
808	537	Sambo's Restaurants	–17.5	27 – 6⅝	10⅝	12.8	136	1.41	8	0.60	5.6
809	897	Mohasco	–17.5	25 – 8⅜	11¼	6.6	77	1.83	6	0.90	7.7
810	458	American Petrofina	–17.6	37⅜–22⅝	25¾	10.7	275	2.52	10	2.20	8.5

*Not ranked last year. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
1	592	**Dayton Power & Light**	**–17.8%**	22⅜–10⅝	15⅝	23.1	**$ 361**	$1.70	9	$1.66	10.6%
1	697	**McDonald's**	**–17.8**	66 –21¼	46⅞	40.5	**1,896**	3.85	12	0.36	0.8
3	784	**Continental Tel**	**–17.8**	19 – 9¼	15	45.6	**685**	1.95	8	1.24	8.3
4	646	**Signode**	**–17.8**	42¾–18⅛	32¼	7.5	**242**	4.59	7	1.48	4.6
5	593	**Northwest Bancorp**	**–17.8**	32⅞–11⅝	24¾	25.7	**636**	3.48	7	1.16	4.7
6	389	**Alcan Aluminium**	**–17.9**	41 –18¼	32¾	40.4	**1,325**	6.65	5	2.00	6.1
7	195	**Gulf Resources & Chem**	**–17.9**	25⅜– 6¼	9¾	7.0	**69**	0.93	10	0.25	2.6
8	930	**Purolator**	**–18.2**	45½–13½	24¾	4.6	**113**	2.11	12	1.28	5.2
9	935	**Avon Products**	**–18.2**	65 –18⅝	52⅛	58.2	**3,032**	3.71	14	2.60	5.0
0	798	**Motorola**	**–18.3**	61⅞–31⅝	40¼	30.4	**1,225**	3.96	10	1.20	3.0
1	107	**Fluor**	**–18.3**	49 –15	32	15.7	**501**	4.41	7	1.20	3.8
2	343	**Southern Union**	**–18.8**	32⅜–13¼	19½	6.8	**132**	2.96	7	1.76	9.0
3	713	**Pueblo International**	**–19.1**	8⅝– 2⅛	4¼	4.5	**19**	0.98	4	none	0.0
4	339	**ACF Industries**	**–19.3**	40⅞–19⅛	31⅛	8.7	**272**	4.35	7	2.10	6.7
5	916	**Ryder System**	**–19.5**	30⅜– 2¾	21⅝	15.2	**329**	3.42	6	0.80	3.7
6	*	**Toledo Edison**	**–19.5**	28 –15¼	21⅝	15.7	**339**	2.92	7	2.12	9.8
7	875	**Fisher Foods**	**–19.8**	16⅞– 7⅛	9⅝	6.2	**60**	1.54	6	0.60	6.2
8	712	**Square D**	**–19.8**	32 –12½	21¼	23.8	**508**	2.65	8	1.50	7.1
9	614	**Emerson Electric**	**–19.8**	45⅜–20⅞	34⅞	57.7	**2,013**	2.93	12	1.44	4.1
0	953	**AMF**	**–20.5**	24⅜– 9	16½	19.9	**328**	2.25	7	1.24	7.5
1	494	**Pacific Pwr & Lt**	**–20.8**	25½–13⅝	20	37.2	**743**	2.71	7	1.92	9.6
2	257	**Sun Company**	**–20.9**	53 –25½	38¾	51.6	**2,001**	6.82	6	2.80	7.2
3	868	**Wheeling-Pitts Steel**	**–21.2**	31⅞– 8	10¼	3.8	**38**	–1.06	def	none	0.0
4	681	**General Electric**	**–21.4**	65 –30	49½	227.8	**11,276**	5.26	9	2.60	5.3
5	847	**Mercantile Stores**	**–21.6**	64½–28¼	34⅛	5.9	**201**	6.19	6	1.00	2.9
6	530	**Burlington Northern**	**–21.6**	53 –27	38⅝	12.5	**483**	8.53	5	1.80	4.7
7	793	**Minn Mining & Mfg**	**–21.8**	80½–43	61	117.4	**7,164**	4.51	14	2.00	3.3
8	723	**Richardson-Merrell**	**–21.8**	31 –13¾	23¾	23.3	**554**	2.45	10	1.06	4.5
9	958	**Bell & Howell**	**–22.4**	25⅞– 8¾	16½	5.5	**91**	2.29	7	0.96	5.8
0	771	**Avondale Mills**	**–23.0**	30 –16½	20⅛	2.0	**41**	2.65	8	1.20	6.0
1	477	**Kane-Miller**	**–23.0**	13¼– 4⅛	6⅞	3.7	**25**	0.40	17	0.28	4.1
2	737	**Pfizer**	**–23.3**	45 –21⅜	33	70.3	**2,320**	2.85	12	1.20	3.6
3	703	**E I du Pont**	**–23.4**	179 –84½	121⅞	48.1	**5,858**	14.07	9	7.25	5.9
4	839	**Hobart**	**–23.4**	28 –10	16¾	11.4	**191**	2.22	8	1.08	6.4
5	810	**Lowe's Companies**	**–24.0**	34⅝–12⅝	19¼	13.0	**251**	2.03	9	0.40	2.1
6	417	**McLean Trucking**	**–24.3**	28⅜– 7¾	14	5.6	**79**	2.52	6	0.64	4.6
7	347	**International Paper**	**–24.5**	79¾–31⅝	39¼	47.3	**1,858**	4.58	9	2.00	5.1
8	739	**St Paul Companies**	**–24.6**	46 –15⅜	33⅜	21.0	**700**	7.33	5	1.80	5.4
9	570	**Texas Instruments**	**–24.9**	129¾–58¾	80⅝	22.8	**1,838**	5.82	14	1.68	2.1
0	797	**Perkin-Elmer**	**–25.3**	40 –15⅛	24¾	19.5	**481**	2.01	12	0.52	2.1
1	449	**First Intl Bshs**	**–25.6**	48 –21¼	34⅜	19.8	**680**	3.89	9	1.30	3.8
2	284	**Texas Comm Bshs**	**–25.6**	50¾–22	36¼	14.3	**518**	4.52	8	1.40	3.9
3	766	**White Motor**	**–25.7**	15⅜– 3¾	6⅞	8.3	**57**	–0.81	def	none	0.0
4	827	**Bankers Trust NY**	**–25.8**	57¼–25⅝	34⅛	10.6	**362**	6.21	5	3.00	8.8
5	669	**Southwestern Life**	**–26.0**	27 –11⅛	18⅞	15.5	**292**	2.39	8	0.88	4.7
6	602	**Capital Holding Corp**	**–26.0**	31 –13⅝	22¾	28.8	**655**	2.61	9	0.76	3.3
6	767	**Scot Lad Foods**	**–26.0**	7 – 3¼	3⅞	4.3	**17**	–4.12	def	none	0.0
8	923	**Anheuser-Busch**	**–26.6**	39⅝–17½	24⅛	45.1	**1,089**	2.41	10	0.88	3.6
9	837	**Corning Glass Works**	**–27.1**	90¼–25	55¼	17.7	**980**	5.84	9	1.88	3.4
0	735	**Oklahoma Gas & Elec**	**–27.1**	25⅛–15	16½	26.6	**439**	2.18	8	1.54	9.3
1	790	**First Wisconsin Corp**	**–27.1**	34¼–10	24½	4.2	**102**	3.81	6	1.76	7.2
1	910	**Maremont**	**–27.1**	28⅝– 6½	19⅛	4.0	**76**	3.06	6	1.00	5.2
3	725	**Clark Equipment**	**–27.2**	46½–17½	33⅞	13.7	**464**	5.50	6	2.00	5.9
4	585	**Mallinckrodt**	**–27.2**	52¾–22¾	29½	9.4	**277**	3.00	10	1.00	3.4
5	809	**Armstrong Cork**	**–27.3**	32⅞–14¾	16	25.7	**412**	2.01	8	1.00	6.3
6	844	**Chesebrough-Pond's**	**–27.4**	33¾–13⅜	21⅞	32.4	**708**	2.07	11	0.94	4.3
7	721	**Merck**	**–27.4**	86 –46⅝	58⅝	75.6	**4,429**	3.94	15	1.90	3.2
8	768	**K mart**	**–27.5**	43¾–18¼	23¾	122.1	**2,901**	2.51	9	0.72	3.0
9	665	**Texas Eastern**	**–27.5**	54 –20	36⅞	25.0	**920**	5.08	7	2.30	6.2
0	689	**CIT Financial**	**–27.6**	43½–23¼	29¼	20.7	**607**	3.78	8	2.40	8.2
1	197	**Pullman**	**–27.7**	53⅝–23	35⅜	11.0	**387**	4.75	7	1.60	4.5
2	641	**LTV**	**–28.1**	19¾– 5⅛	7⅜	13.4	**98**	–1.08	def	none	0.0
3	856	**Carter Hawley Hale**	**–28.7**	31 –12	16½	23.8	**393**	2.31	7	1.00	6.1
4	240	**Roadway Express**	**–29.1**	48⅛–23⅛	25¾	20.4	**527**	2.60	10	0.60	2.3
5	838	**Associated Dry Goods**	**–29.4**	40 –13⅜	18⅝	13.5	**252**	2.44	8	1.50	8.1

Not ranked last year. def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
876	948	**Marriott**	**–29.6%**	21¼– 5⅞	12⅛	36.9	**$447**	$1.40	9	$0.16	1.3%
877	547	**Trans Union**	**–29.6**	45½–24¼	29¾	11.2	**334**	4.25	7	2.12	7.1
878	770	**American Express**	**–29.7**	48⅜–17¾	31⅝	71.2	**2,253**	4.13	8	1.60	5.1
879	682	**American Home Products**	**–29.9**	44⅞–24⅞	28⅛	156.5	**4,402**	2.13	13	1.40	5.0
880	883	**Squibb**	**–30.0**	45 –20	28¼	44.6	**1,261**	2.58	11	1.08	3.8
881	803	**Johnson & Johnson**	**–30.3**	119⅜–62⅛	78⅝	58.9	**4,632**	4.98	16	1.70	2.2
882	50	**Bucyrus-Erie**	**–30.5**	30¼– 9½	16⅛	20.4	**329**	2.48	7	0.88	5.5
883	622	**Colgate-Palmolive**	**–30.7**	34⅞–15¾	17¼	77.7	**1,341**	2.14	8	1.00	5.8
884	853	**McCormick & Co**	**–31.3**	19⅞–10⅞	12⅞	11.3	**146**	1.24	10	0.48	3.7
885	921	**Gillette**	**–31.4**	40½–20¾	24⅝	30.1	**741**	2.99	8	1.60	6.5
886	718	**Burroughs**	**–31.4**	113 –54½	71½	40.8	**2,921**	5.80	12	1.60	2.2
887	755	**Chubb**	**–31.6**	50⅞–17⅞	33⅝	12.4	**417**	6.95	5	2.20	6.5
888	981	**Polaroid**	**–31.7**	88½–14⅛	47¾	32.9	**1,569**	3.43	14	1.00	2.1
889	815	**Uniroyal**	**–31.8**	11¼– 5¼	5⅜	26.6	**143**	–0.06	def	none	0.0
890	692	**Emery Air Freight**	**–32.8**	29¾–12	20⅛	15.5	**311**	1.36	15	0.92	4.6
891	534	**J P Morgan & Co**	**–32.8**	71 –39⅝	46⅜	38.7	**1,793**	5.93	8	2.20	4.7
892	356	**Weyerhaeuser**	**–32.9**	49⅝–20¾	26¼	123.9	**3,253**	2.61	10	1.00	3.8
893	893	**Westinghouse Elec**	**–33.0**	26 – 8	17	86.0	**1,462**	3.46	5	0.97	5.7
894	786	**Newmont Mining**	**–33.2**	36⅝–15½	21⅜	25.0	**533**	0.21	–	0.80	3.7
895	903	**Marine Midland Banks**	**–33.5**	25½– 8¾	15⅛	12.5	**189**	1.79	8	0.80	5.3
896	912	**Coca-Cola Bottling NY**	**–33.8**	11⅝– 3½	6⅝	19.1	**127**	0.73	9	0.40	6.0
897	457	**Central Soya**	**–33.8**	23¾– 9⅜	12½	15.4	**193**	1.94	6	0.76	6.1
898	795	**Warner-Lambert**	**–33.8**	39⅞–18⅛	24¾	79.5	**1,967**	2.56	10	1.20	4.8
899	628	**Southern Pacific**	**–33.9**	40½–24⅞	26⅝	26.9	**717**	3.39	8	2.40	9.0
900	807	**Amer Hospital Supply**	**–34.2**	41⅜–18¾	25¾	37.3	**959**	2.31	11	0.68	2.6
901	965	**Penn-Dixie Inds**	**–34.3**	7 – 2¾	3⅛	5.3	**17**	–2.31	def	none	0.0
902	757	**Warner & Swasey**	**–34.6**	38⅝–11⅛	23⅞	3.5	**83**	3.08	8	1.60	6.7
903	763	**Liberty Natl Life**	**–34.7**	38½–17¾	21⅜	19.1	**408**	2.95	7	1.00	4.7
904	878	**Fairchild Camera**	**–34.8**	64 –16⅜	30½	5.4	**164**	4.21	7	0.80	2.6
905	929	**ARA Services**	**–35.0**	67⅜–30⅝	36⅝	9.9	**363**	4.41	8	1.64	4.5
905	843	**Coca-Cola**	**–35.0**	63⅞–22⅜	41⅛	123.5	**5,079**	2.95	14	1.74	4.2
907	886	**Seagram**	**–35.3**	47⅜–19¼	27¼	35.1	**956**	2.58	11	1.12	4.1
908	789	**Upjohn**	**–36.1**	88¼–30	45⅞	29.7	**1,362**	4.14	11	1.32	2.9
909	659	**Champion Spark Plug**	**–36.2**	17⅞– 7¼	10⅜	38.1	**395**	1.50	7	0.72	6.9
910	774	**First Bank System**	**–36.4**	66½–25	36¾	14.9	**547**	5.70	6	1.92	5.2
911	954	**Frederick & Herrud**	**–36.5**	7¼– 1⅞	3¾	2.8	**10**	0.48	8	0.24	6.4
912	332	**Texasgulf**	**–36.8**	37⅜–15⅛	19½	30.8	**601**	1.11	18	1.20	6.2
913	805	**First Natl Boston**	**–37.0**	48⅛–19	25¾	12.3	**317**	4.89	5	2.00	7.8
914	804	**Economics Laboratory**	**–37.2**	39½–17⅜	24⅞	13.5	**337**	1.96	13	0.92	3.7
914	774	**Sherwin-Williams**	**–37.2**	48¾–19⅝	20⅞	5.4	**113**	–0.95	def	none	0.0
916	158	**Allied Chemical**	**–37.2**	54¼–23	30¾	28.2	**867**	4.60	7	2.00	6.5
917	946	**Chrysler**	**–37.6**	22⅜– 7	9¾	62.6	**611**	–5.14	def	0.40	4.1
918	628	**McLouth Steel**	**–38.0**	23¾– 8¼	8⅜	5.5	**46**	–2.98	def	none	0.0
919	949	**CFS Continental**	**–38.5**	18⅛– 7	8	5.3	**43**	0.92	9	0.30	3.8
919	989	**Champion Home**	**–38.5**	6⅜– 1¾	2	35.4	**71**	–0.10	def	none	0.0
921	762	**Envirotech**	**–38.8**	42⅝– 7⅞	17¾	4.5	**80**	2.11	8	1.00	5.6
922	842	**USLIFE**	**–39.1**	31⅜– 7¼	18⅞	21.6	**407**	3.22	6	0.64	3.4
923	640	**Bethlehem Steel**	**–39.4**	48 –18¼	20	43.7	**873**	3.88	5	1.00	5.0
923	861	**Hiram Walker**	**–39.4**	56⅞–22⅞	32⅛	17.2	**553**	4.29	7	1.90	5.9
925	714	**Hanna Mining**	**–39.7**	60½–19	30¾	8.9	**273**	1.88	16	1.80	5.9
926	892	**Akzona**	**–39.9**	25¾– 8¾	11⅞	12.3	**146**	0.89	13	0.80	6.7
927	561	**ASARCO**	**–39.9**	27⅜–12	13¾	30.5	**420**	–1.51	def	0.40	2.9
928	831	**Intl Flavors & Frag**	**–40.0**	42⅜–18¼	23½	36.7	**861**	1.48	16	0.68	2.9
929	851	**Great Atl & Pac Tea**	**–40.0**	15⅝– 5	5¼	24.9	**131**	–0.73	def	none	0.0
929	990	**National Kinney**	**–40.0**	7⅝– 1⅛	2¼	6.4	**14**	–0.32	def	none	0.0
931	323	**Tosco**	**–40.3**	8½– 1¾	4⅝	18.0	**83**	0.62	7	none	0.0
932	996	**Daylin**	**–40.6**	5½– ⅜	2⅜	34.4	**82**	0.28	8	none	0.0
933	848	**American Motors**	**–40.9**	13⅜– 3¼	5¼	30.2	**158**	0.80	7	none	0.0
934	952	**Shop Rite Foods**	**–41.2**	6¼– 2½	2½	0.9	**2**	–7.40	def	none	0.0
935	861	**Eli Lilly**	**–41.3**	82¾–32⅝	43½	70.6	**3,069**	3.69	12	1.80	4.1
936	818	**Masonite**	**–41.9**	40¼–14¼	18	15.7	**282**	2.73	7	0.80	4.4
937	961	**Gino's**	**–42.2**	18 – 4¾	7⅛	4.7	**35**	1.32	6	none	0.0
938	876	**Heublein**	**–42.4**	59¼–17¾	28¾	21.2	**610**	2.81	10	1.52	5.3
939	867	**Sybron**	**–42.7**	29¼–10⅞	15¾	9.6	**151**	2.30	7	0.96	6.1
940	685	**Rath Packing**	**–43.3**	6¼– 2	2⅛	1.2	**3**	–5.40	def	none	0.0

def Deficit.

Who's Where in the Stock Market

Five-Year Change in Consumer Price Index: 45.1%

rank '78	rank '77	company	5-year price change	1974-78 price range	recent price	shares outstanding (millions)	total market value (millions)	latest 12-month earnings per share	price/ earnings ratio	indicated annual dividend	current yield
941	942	**Nashua**	**–43.8%**	44¾– 9	23⅝	4.6	**$110**	$4.65	5	$1.30	5.5%
942	922	**Quaker State Oil**	**–44.4**	30 –13	13⅝	17.5	**239**	1.36	10	0.88	6.5
943	889	**Pabst Brewing**	**–44.6**	34¾–11⅞	14⅛	8.6	**121**	1.36	10	1.20	8.5
944	753	**Citicorp**	**–45.4**	46¼–18⅞	25	122.5	**3,063**	3.59	7	1.16	4.6
945	865	**IU International**	**–46.0**	21⅝– 8¼	10	30.2	**302**	2.00	5	0.95	9.5
946	751	**First Chicago Corp**	**–46.0**	39½–14⅝	19	39.6	**753**	3.22	6	1.10	5.8
947	824	**Chase Manhattan**	**–46.2**	56½–17⅞	30⅜	32.1	**974**	4.97	6	2.20	7.2
948	918	**Sterling Drug**	**–46.6**	31¼–12¾	14⅝	60.2	**880**	1.54	9	0.77	5.3
949	988	**Kaufman & Broad**	**–47.3**	14¾– 2¼	6⅛	15.8	**97**	1.14	5	0.20	3.3
950	909	**Fischbach & Moore**	**–47.6**	58 –14	27¼	3.3	**91**	3.71	7	1.40	5.1
951	636	**Massey-Ferguson**	**–47.6**	32¼– 8½	9⅝	18.3	**176**	–7.38	def	none	0.0
952	830	**Sears, Roebuck**	**–47.7**	45¼–20	21	322.0	**6,762**	2.61	8	1.12	5.3
953	870	**Moore Corp**	**–47.7**	57 –23½	28¾	27.5	**791**	2.95	10	1.32	4.6
954	877	**Black & Decker**	**–48.3**	41½–14¼	17¼	41.9	**722**	1.58	11	0.68	3.9
955	502	**Kennecott Copper**	**–48.3**	49½–18⅜	22⅞	33.2	**759**	0.31	74	0.60	2.6
956	733	**SEDCO**	**–48.6**	66¼–16⅞	33⅛	10.3	**340**	3.95	8	0.52	1.6
957	938	**Hoover Co**	**–48.9**	21⅜– 8⅞	11¼	13.2	**148**	1.94	6	0.84	7.5
958	937	**Eastman Kodak**	**–49.1**	120¾–41⅛	59	161.4	**9,521**	4.94	12	2.50	4.2
959	726	**Gardner-Denver**	**–49.3**	36¼–14½	18¼	19.1	**348**	2.21	8	1.00	5.5
960	960	**Zenith Radio**	**–49.5**	40⅝– 9⅝	13¼	18.8	**250**	0.42	32	1.00	7.5
961	*	**Adolph Coors**	**–50.0‡‡**	35½–10⅞	12¾	35.2	**449**	1.52	8	0.25	2.0
961	672	**Kerr-McGee**	**–50.0**	95⅛–39⅞	45	25.9	**1,163**	4.05	11	1.25	2.8
963	473	**Ingersoll-Rand**	**–50.3**	97¾–47½	48⅞	19.0	**927**	6.43	8	3.00	6.1
964	879	**First Natl Supermkts**	**–50.7**	30 – 8¼	9	4.1	**37**	–7.00	def	0.02	0.2
965	364	**Combustion Engnrng**	**–51.8**	70⅞–14½	33¾	16.1	**543**	4.69	7	2.00	5.9
966	828	**Colonial Penn Group**	**–52.5**	57⅞–12⅝	27¼	16.1	**439**	4.16	7	1.20	4.4
967	963	**A H Robins**	**–53.3**	25½– 8⅛	8⅞	26.1	**232**	1.20	7	0.40	4.5
968	992	**Fedders**	**–53.8**	14⅛– 2½	4⅝	11.1	**51**	–0.68	def	none	0.0
969	905	**Hercules**	**–54.0**	44 –12¼	15⅞	42.4	**673**	1.96	8	1.00	6.3
970	940	**G D Searle**	**–55.0**	28¼–10⅝	11¾	52.6	**618**	–0.37	def	0.52	4.4
971	864	**Phelps Dodge**	**–55.1**	49⅞–17⅝	21⅛	20.7	**437**	1.05	20	0.60	2.8
972	933	**Franklin Mint**	**–55.4**	36¾– 5½	6¼	8.4	**53**	0.77	8	0.30	4.8
973	939	**Rohm & Haas**	**–55.7**	94¼–28	32¾	12.8	**421**	3.83	9	1.52	4.6
974	913	**J C Penney**	**–56.1**	79¼–31⅛	31½	66.5	**2,094**	4.54	7	1.76	5.6
975	945	**Xerox**	**–56.4**	127⅞–40½	53½	80.5	**4,309**	5.59	10	2.00	3.7
976	680	**Chic Bridge & Iron**	**–56.6**	117½–42	51	9.6	**491**	5.69	9	2.30	4.5
977	553	**Williams Companies**	**–56.6**	38½–14⅞	15⅜	24.9	**383**	1.11	14	1.00	6.5
978	854	**Inco Ltd**	**–57.5**	40⅛–13⅜	15	74.6	**1,119**	0.72	21	0.40	2.7
979	750	**GATX**	**–57.7**	65 –22¼	25⅜	12.0	**304**	1.19	21	1.80	7.1
980	769	**Food Fair**	**–58.0**	9 – 2⅜	2⅝	7.4	**19**	NA	—	none	0.0
981	887	**Walter E Heller Intl**	**–58.4**	40¼–15½	16⅝	11.6	**192**	2.87	6	1.10	6.6
982	808	**Louisiana Land**	**–59.0**	57⅞–16¾	21	38.0	**798**	2.64	8	1.28	6.1
983	964	**Southeast Banking**	**–59.1**	33⅛– 8⅝	12	11.5	**138**	1.85	6	0.60	5.0
984	987	**United Merch & Mfrs**	**–59.3**	21 – 1¼	6⅞	5.9	**41**	0.95	7	none	0.0
985	914	**DEKALB AgResearch**	**–59.3**	51¼–16½	20¼	12.3	**249**	2.43	8	0.60	3.0
986	869	**Schering-Plough**	**–60.2**	75⅞–26¼	28¼	53.4	**1,508**	3.51	8	1.24	4.4
987	917	**Avery International**	**–60.6**	44 –12¼	13⅞	9.4	**131**	1.66	8	0.52	3.7
988	743	**Cyprus Mines**	**–60.7**	45¼–14½	15⅞	10.5	**167**	2.53	6	none	0.0
989	969	**Rose's Stores**	**–60.9**	17¾– 5	11	2.2	**25**	2.97	4	0.72	6.5
990	968	**Singer**	**–64.9**	41 – 8¾	14	16.6	**232**	4.01	3	0.80	5.7
991	993	**Intl Foodservice**	**–65.9**	6¼– 1	1¾	3.0	**5**	–1.22	def	none	0.0
992	944	**First Penna Corp**	**–66.4**	45 –12	13⅝	15.3	**209**	2.08	7	1.32	9.7
993	956	**NCNB**	**–67.4**	39¾– 6⅝	12⅞	16.9	**218**	1.87	7	0.60	4.7
994	888	**Tesoro Petroleum**	**–68.4**	29 – 6¾	7⅝	12.3	**94**	–0.77	def	none	0.0
995	974	**American Greetings**	**–69.2**	34½– 6⅜	10⅝	13.6	**145**	1.58	7	0.48	4.5
996	904	**Fidelcor**	**–71.0**	41¾– 9	11⅞	4.9	**58**	–0.18	def	none	0.0
997	984	**Intl Systems**	**–74.1**	48 – 9¼	12¼	1.7	**20**	–24.38	def	none	0.0
998	983	**Citizens & Southern**	**–74.4**	20¾– 3⅞	5	28.8	**144**	–0.16	def	none	0.0
999	955	**Commonwealth Oil**	**–78.5**	15½– 1¼	2¼	15.0	**34**	–1.01	def	none	0.0
000	991	**Chicago Rock Island**	**–79.6**	22⅞– 1¾	2¼	2.9	**7**	–4.43	def	none	0.0
001	849	**Allied Supermarkets**	**–81.3**	6 – ¼	¾	5.2	**4**	–1.83	def	none	0.0
002	982	**Jos Schlitz Brewing**	**–82.1**	57½– 9¼	10	29.1	**291**	0.28	36	0.40	4.0
003	985	**Govt Employees Ins**	**–85.3**	42½– 2⅛	6¼	18.0	**112**	2.64	2	0.20	3.2
004	997	**Amer Beef Packers**	**–91.1**	7⅜– ⅜	⅝	1.9	**1**	–0.62	def	none	0.0
†	*	**Oxford Industries**		12⅝– 7	9⅜	2.8	**27**	2.17	4	0.60	6.4
†	*	**Wachovia Corp**		33⅞–10	16	11.4	**183**	2.20	7	0.68	4.3

*Not ranked last year. †Recent price not comparable with historic price due to spin-off of subsidiary. ‡‡Three-year price change. NA Not available. def Deficit.

On the Big Board NICOR is known as 'GAS.' You should know us as 'The Basic Energy Company.'

What's a NICOR?
We're the corporation with revenues of $1.2 billion that's getting down to basics in energy. Basic energy sources like coal, oil, uranium, and natural gas. Northern Illinois Gas is our major subsidiary. It's the fifth largest natural gas distribution company in the nation. And one of the most efficient. Our customer-to-employe ratio is the best of any known gas distribution company in the nation while distribution expense per customer is among the lowest in the industry.

But gas distribution is just one of our basic energy activities.

Onshore and offshore, we're into exploration
Our subsidiaries participate in oil and gas exploration projects all the way from Belize, up to offshore Texas and Louisiana. And through the lower 48 states, into Canada and out to offshore Alaska.

Coal: Leasing, mining and gasification
NICOR Minerals controls about one billion tons of recoverable coal in Illinois. NICOR Mining, another subsidiary, has entered into a joint venture to mine a portion of those reserves. And our Mid-Continent Gasification subsidiary is a participating member of the Illinois Coal Gasification Group working on the first phase of a coal gasification demonstration plant.

Drilling rigs and equipment
These newly-acquired assets are engaged in contract drilling for other oil and gas producers.

New energy ventures
In today's modern era the proven, efficient energy company is best suited to lead the way in coming years. That's why you'll find a NICOR subsidiary in the Overthrust Belt of the Rocky Mountains.

You'll find a NICOR subsidiary working with an industry association to subsidize research into "exotic" energy sources. Extracting hydrogen from water, converting marine biomass to methane and tapping geo-pressurized zones where trillions of cubic feet of natural gas lie trapped in brine.

NICOR
The Basic Energy Company

Energy's basic to NICOR and NICOR's basic in energy
We're the basic energy company now. And we'll be basic in energy in the future. Whatever that energy is. For more information, write J. M. Quigley, Financial Vice President and Secretary, NICOR Inc., Box 200, Dept. FB-3, Naperville, IL 60540.

ver underestimate the consistency of hu-
an nature. Expectations go to extremes.

Inflation: Can we check escalation?

HARD these days to find anyone who ery optimistic about the near-term pects for bringing the inflation rate n. The worst pessimists, people like ry Kaufman of Salomon Brothers and man Robertson of Mellon Bank, do expect Administration and Federal rve measures to cause any dip in the tion rate but rather expect it to re- at the current 9% annual level or go higher. That would be ominous in- After 9%, can 10% be far behind? e optimists are not wildly so. They ct that strong Administration and action will bring the inflation rate to 7% for 1979. In other words, a couple of percentage points sepa- the optimists from the pessimists— h means, in effect, that nobody is optimistic. And no wonder. The t statistical data do not show signifi- slowing of business activity since the king-sized tightening of monetary and fiscal policy announced Nov. 1 by President Carter. In more normal times, a 1% increase in the discount rate would bring business to a halt. Home sales would dry up, autos fall flat and businesses rush to repay high cost borrowings. None of this has happened yet.

But never underestimate the consistency of human nature. Expectations nearly always go to extremes. If business is strong and prices are rising, people think about the bushel-basket inflation of the Weimar Republic. If business turns weak, people remember the apple-sellers of the 1930s. What we are saying is this: Let business slow a bit and expectations could make a dramatic turnabout. Instead of buying two raincoats, people would buy none. Thus, we stand among the modest optimists. We think that such a slowdown in business is at hand

The Economy

and with it a lowering of inflationary expectations. Note we say "lowering." Too much damage has been done to expect to see inflation really come down to, say, 3% or 4% in the near future. Still, a lowering even to 7% would be welcome in that it would stop the dangerous momentum of rising prices.

We disagree with those forecasters who project the current period of business strength into more of the same throughout 1979, leading to 14% or higher prime lending rates and 11% or more corporate bond yields. Instead, we believe business will be slowing a bit by midyear. By the end of 1979, inflation should be down to no more than 7% or so and should be headed lower. True, 7% is still a horror. Nevertheless, the *direction* of the trend will be important.

President Carter is convinced that he must stop inflation or go down in history as a do-nothing. (Better a one-term president than that!) With that as motivation, it is easy to understand why he will fight to hold down federal spending. It won't be easy. Even before the economy has slowed, Senator Kennedy rabble-rouses the President's own party, claiming that the anti-inflation program is designed to benefit the wealthy. Black congressmen have formed a caucus to demand that social benefits escape the paring knife. Farmers are ready to protest anew

The Forbes Index*

Composed of the following:

- **How much are we producing? (Federal Reserve Board Index of Industrial Production)**
- **What volume of hard goods are we ordering? (Bureau of Census latest three months new orders of durable goods related to inventories)**
- **How intensively are we building? (Bureau of Census privately owned housing starts)**
- **How much are people spending? (Bureau of Census retail store sales)**
- **To what extent are consumers going into debt? (Federal Reserve net change in consumer installment debt)**
- **How costly are services? (U.S. Dept. of Labor service price index related to the consumer price index)**
- **How much are workers earning? (Dept. of Commerce personal income, wage and salary disimbursements)**
- **How many people have been laid off? (U.S. Dept. of Labor initial unemployment claims)**

***Revised 9/78**

against any steps that might make them even a tiny bit less affluent.

However, Treasury Secretary W. Michael Blumenthal asserts that "there will be no waffling and no wavering" in the battle against inflation. There is every reason to believe that he speaks for Carter, who is in dead earnest this time.

The sticky part in the fight against inflation is food, fuel and housing. As this is written in late December, the first cracks are starting to appear in the housing market. "In the second quarter of 1979 we should see a significant easing in the housing activity along with some weakening of housing prices around the country. There is a belief that the government is not going to protect the industry to the degree that it has done in the past," says Richard X. Bove, vice president of research at Wertheim & Co.

Some of the increase in fuel charges may have taken place at the gas pump regardless of the OPEC agreement on crude charges reached on Dec. 17. Thus, additions to inflation from gasoline should be smaller than a straightforward calculation based on scheduled increases in OPEC crude would indicate. Natural gas prices, however, could rise.

The bleakest outlook is for beef and produce prices which weigh heavily in cost-of-living calculation. But a Carter decision to bring in more meat from abroad and consumer resistance could turn that price trend.

Overall, we think some deceleration of price increases is probable. When 1978 started it was daring to forecast a 6.5% inflation because most projections ranged between 5% and 6%. It turned out to be almost 8%—on a year-to-year basis.

This year, the surprise could come in the opposite direction. We hope. ■

If real income has been going up despite inflation, why does it hurt so much?

Is inflation real?

THE POLITICS of the President's battle against inflation have been muddled by a good deal of ignorance on every side. Many affluent people feel uniquely victimized by rising prices. So do the poor. No one, in fact, has been *uniquely* hurt. A good case can even be made that, thus far at least, no important group has been seriously hurt at all. Real income per person, after taxes, has gone up every bit as much in the last six high-inflation years as it did in the previous six when inflation was much lower.

Moreover, the years of inflation have apparently done relatively little to alter the income shares going to the rich and the poor and those in the middle.

If all this is true, then why do so many people feel so bad about their economic situation? There are probably three principal reasons:

- The sheer uncertainty created when conditions change.
- A form of "money illusion," with everyone unconsciously assuming that if inflation went away, they would still be getting 8% or 10% raises each year.
- The real growth of the last six years coming from different sources, principally through a larger proportion of the civilian population taking jobs.

The "money illusion" may well be the most important. MIT economist Lester Thurow described it this way recently at a Data Resources quarterly outlook conference: "People get dissatisfied if someone deposits $75 on their doorstep and then takes $60 away from them in the form of higher prices. They may even be able to convince themselves that their real standards of living have gone down. And in some psychological sense, they may be worse off. The real income gains may not be much different than they had been in the past, but everyone thinks how enjoyable his life would be if there were no inflation and money income continued to go up at the same rate."

Real incomes *have* been going up. Disposable income per capita (expressed in constant 1972 dollars) rose by $563, to $3,837, from 1966 to 1972. Since then, it has gone up another $571, to an estimated $4,408 in 1978. Of course, the *rate* of increase slowed from 17.2% over six years to 14.9%. But the gain, absolutely, was just as big.

At the same time, achieving this gain took more effort. Productivity gains have been much smaller since 1972, averaging about 1.3% a year compared to about 2.1% from 1966 to 1972 for all private business. To keep real income gains from tumbling, too, people had to work more hours, and more wives had to take jobs. This helps explain why so many people feel they are on a treadmill.

Inflation, too, is often said to hurt the poor. Economist Thurow's figures to disprove this. Consumer income bers from the Commerce Departr he says, "show essentially no chan the distribution of money income tween rich and poor. The top 40% population had 69.5% of the tot come in 1972 and 69.6% in 1977. bottom 40% of the population 13.7% in 1972 and 13.8% in 1977."

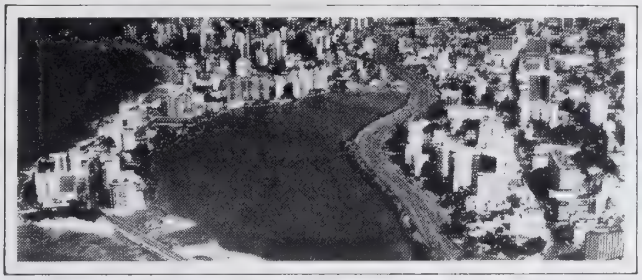
Hardly a conservative hir Thurow goes on to rebut the argume some very liberal economists, suc Gar Alperovitz, head of Washing Exploratory Project for Economic A natives, that the distribution of *re* come has changed because the pric necessities such as food and fuel gone up more than most other p But Thurow, using actual expenc data for different income classes, an measured rate of inflation for 13 diff categories of purchases (food, clot etc.), came up with an inflation ind each income group, covering 19 1977. While there were slight d ences, he found no group was more 0.5 percentage points away from 39% inflation average for everyone.

Looked at in another way, Th does find one group—corporations—has been hurt by inflation. Since 19 says, corporations' net share of GN fallen from 7.6% to 7.1%, primaril cause of larger interest payments—rect consequence of higher inflatio

The fact that the distribution come has *not* changed means tha entire economy, not just parts of it, effect, indexed to inflation. On th hand, that means inflation is easi bear and less of a distortion than people believe. On the other, it n that inflation will be extraordinarily to stop. "If the economy is inde adds Thurow, "an 8% rate of infl today leads to 8% wage and price tomorrow. But as a result, inflati also 8% tomorrow."

How much comfort can we d from all this? Alas, very little. Fo truth is that inflation contributes t certainty and makes business relu to invest. Moreover, the U.S. dol badly hurt by the fact that our infl rate is higher than Germany's or Ja And finally, unless we fight inflatio fight it hard, it will undoubtedl worse. Each external or internal s pushes it up a notch and the inc nature of the economy keeps it ther one could argue that some level of tion—say, the kind that rages in Latin American countries—would n dangerous to our society. There's a paradox here: We can live with infl but we ought not to accept it. ■

PUERTO RICO, U.S.A. SOLID AND GROWING



LOS ADOQUINES—the centuries-old cobblestones on the streets of Old San Juan—are a symbol of the strength and dignity found in the Puerto Rican heritage.

The modern city of San Juan—with its new buildings, extensive highways and a people with a dynamic sense of today—is a clear indication of the growth of Puerto Rico.

The Government Development Bank for Puerto Rico—along with other government and private financial institutions—has played an important part in this growth. The Government Development Bank for Puerto Rico acts as issuing agent for bonds to finance vital public improvements and it lends long and medium term funds to private business.

Puerto Rico Bonds have a triple exemption. Bonds of Puerto Rico and its municipalities, as well as its various Authorities, under existing laws, are exempt not only from federal but also from state and local income taxes.

At current market prices, Puerto Rico Bonds provide attractive yields.

Puerto Rico has always met its public debt obligations.

For further information about Puerto Rican government securities, contact your own broker or dealer. If you would like to receive free copies of our informative monthly Newsletter—PUERTO RICO BUSINESS REVIEW—or our free brochure—KEY FACTS FOR INVESTORS—write:

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

Box 42001
San Juan, Puerto Rico 00940
809-725-2525

140 Broadway
New York, New York 10005
212-422-1426

PUERTO RICO BUSINESS REVIEW -
FOR INVESTORS

Name

Address

Zip code

Puerto Rico, U.S.A. FB-1-8

As suddenly as it ballooned, the demand for credit will deflate.

WHEN THE MUSIC STOPS PLAYING

By Ben Weberman

ROUND AND ROUND it goes, and where it stops nobody knows. But stop it will and with a jolt. I'm talking about the merry-go-round of interest rates.

Here's how it works: The savings banks and mutual savings and loan associations are issuing special six-month money market certificates and are currently paying around 10%. At the end of November some $60 billion of these high-yielding ultra-safe certificates were outstanding and the figure was undoubtedly higher at the year's end. When the regulatory agencies permitted the banks and the thrifts to issue these certificates, they intended the money to go into mortgages—so that a tight money policy wouldn't strangle the housing market.

What is happening is quite different. Many banks and thrifts are simply turning around and reinvesting the 10% money at a profit in other kinds of high-yielding paper.

Take New York State, where by law mortgage rates were for decades held to 8.5%—and even with new legislation to a below-market 9.5%. Why should the thrifts borrow at 10% and relend at 9.5%? That would be madness. Instead, they are taking much of it to commercial banks and making six-month time deposits in the form of large, negotiable certificates of deposit that pay 11.25%. That's a nice spread for the thrifts.

And the commercial banks? They relend these deposits to corporations and other businesses at even higher rates—which is 12.65% at the current prime rate, if you include the cost to the borrower of required compensating balances.

And why are corporations borrowing? Because they are in a panic over a possible credit crunch. Borrow now, use the money later is their motto. For now, primarily, they want the cash. With money in hand, they in turn buy commercial paper. True, the commercial paper yields only about 11%, less than the businesses are paying for the money, but they consider the negative spread as a kind of insurance fee to guarantee that they will have money when they need it.

Note this: Little of this money is going to productive uses. You lend to me and I lend the money to the next fellow who in turn lends it back to me. We all take in each other's wash.

But this kind of game doesn't go on forever. Somewhere, someday, a borrower is going to say: "This simply doesn't make any sense." Maybe it will be the corporate treasurer who will say: "Why should I borrow at 12.65% and relend at 11%?" Maybe it will be the commercial banker who will say: "Why should I pay the thrifts 11.25% for money they borrow at 10%?" As suddenly as it ballooned, the demand for credit will deflate. The music will stop playing and the merry-go-round will halt.

When? In spite of my having been burned in predicting a peak in interest rates earlier this year, I will stick my neck out again. My guess is that interest rates will top some time either late in the first quarter of this year or early in the second quarter. I base this prediction on the knowledge that the huge current demand for credit is largely psychological: Only part of the money is going into productive uses, into new housing, plant and equipment or inventories.

My advice right now to investors therefore is: Enjoy yourselves while it lasts. Partake liberally of this virtually risk-free opportunity to earn fabulous interest rates. If you are in the $100,000-and-up class, buy a negotiable certificate of deposit; unlike the money market certificates I mentioned earlier, the CDs are negotiable and you don't lose interest if you want to sell. Money market certificates carry an interest penalty if you should cash in prior to maturity.

If you are willing to accept somewhat lower quality, the opportunities are truly mouth-watering. With most people scared half out of their wits, investors are concentrating their bond market commitments on the highest-quality bonds, Treasuries and Aa-rated corporates. As a result, the gap between Aas and Bs is tremendous. Where Aas yield 9.15%, single Bs range from 12% to 13.5%. That's roughly 4%. The more normal gap between them is only about 2%.

Here are a couple of suggestions for people who want to lock in fat interest rates for the longer term at some sacrifice in quality:

Moody's rates *UNC Resources*, the holding company of United Nuclear Corp., as Ba—speculative. The issue matures in 20 years and came to market at par with a 12% coupon to yield 12%. The company turns out over 10% of the U.S. production of uranium concentrate. Sizable ore bodies are already under production or capable of near-term development. Potential problems: national energy policy and the slow growth of nuclear power generation. Down the road, emerging enrichment technologies could bring competitive profit reduction. Still, at 12% or higher because the issue is trading at a slight discount, these risks seem handsomely compensated.

If you like to live dangerously, there is *Champion Parts Rebuilders, Inc.*, which marketed 13¼%, 15-year debentures at 99 to yield 13.41%. The company rebuilds replacement parts for autos, trucks and farm equipment. It shows good growth, but has a record of high debt and uneven earnings. This issue of debt has a claim subordinated to $6.5 million of senior debt. With the high price of new cars and five-year installment-credit contracts, there should be a rapidly growing market for spare parts to keep the old roadster humming.

But maybe you want to sleep nights. You can get almost 9% on 10-year to 30-year Treasury bonds and almost 9.8% on U.S. guaranteed Government National Mortgage Association pass-through mortgage pool certificates. Can anyone believe our economy is so sick that the inflation rate won't come down sufficiently so that these bonds will look like beautiful buys for the majority of years they are outstanding? ■

Ben Weberman is economics editor of FORBES *magazine.*

We just couldn't wait to share our earnings story.

In 1977, Keene earned $2.03 per share for the year. From January to October of 1978, however, we've already surpassed that—reaching $2.11.

To get the story of the full year, just let us know where to send a copy of the annual report when it comes off the press late in February. Write us at 345 Park Avenue, New York, N.Y. 10022.

KEENE
CORPORATION

We have come to realize that a perpetual boom based on uninterrupted inflation is of doubtful merit.

THE RECESSION EVERYONE WANTS

By Lucien O. Hooper

PRACTICALLY everyone seems to expect a business recession this year. If we *do* experience one, it will be the most confidently anticipated event in recent economic history. We are psychologically prepared for it, and the stock market seems to have gone a long way toward discounting it. Of course, the argument in favor of a cooling off or business setback is overwhelming.

Credit is being made more expensive and less available. The two industries most dependent on available credit are residential building and automotive sales. Since we know what's happening in the credit markets, and why it is happening, we ought to know what's ahead in 1979 for automobiles and building.

To most of us, all booms are good and all recessions are bad. Lately, however, we have come to realize that a perpetual boom based on uninterrupted inflation is of doubtful merit. So now we want to "tame" inflation without causing a depression. We have not had a real depression since World War II, but some of the older people among us remember that an uncontrolled recession can become a depression. We also recall that real deflation (such as we had in the early 1930s) is the most unpleasant of all economic experiences.

I am sure that the Administration and the more intelligent money managers who are at least intellectually independent of elected officials are aware of the dangers of a credit-created recession merging into a deflationary depression. I think human nature is predictable; and on that basis it seems to me that even the best-intentioned political personalities are more likely to act too soon rather than too late in reversing the impact of tight credit on the economy. This, of course, assumes the mastery of the craft of money management as well as a willingness and wisdom to act decisively, and with conviction, at the right time.

As to corporate income accounts, balance sheets and dividends, I don't think we need "inside information," computers, or specialist security analysts to tell us that, if this determination to "tame" inflation continues, and if it is successful, corporate profits in 1979, for most companies, will be lower than in 1978. How much lower, we can only guess. The most common estimates of 1978 earnings for the Dow Jones industrials is somewhere in the area of $104 a share. My guess is that $105 may be a bit more accurate. I would think $90 to $91 a share for 1979 would be a reasonable expectation, and that even as little as $85 a share is not impossible. At this point I would regard as much as $95 a share rather unlikely.

By this time, the reader is aware that I have wandered out into some fairly deep water. I might as well go the rest of the way and guess what all this means as far as the stock market is concerned. Please recognize that I am indulging in an art that no prudent man would practice. Further, I insist on reserving the privilege of changing my mind, and pattern, as the year develops. But I am in deep water and I must splash around a bit if I am to swim and not sink.

Most people assume that stock prices move up or down *pari passu* with earnings. In other words, when earnings go up, stock prices go up; and when earnings decline, stock prices drop. That's not always true, because stock prices discount, rather than reflect. To date, it is apparent that stocks have been discounting a drop in earnings rather than reflecting the steady increase. Again, stocks reflect the quality of profits; lately price/earnings ratios have been low, partly because the quality of earnings has been regarded as inferior. If the quality of earnings improves as a result of less inflation, stocks ought to be worth more. Finally, there is a connection between interest rates and the appraisal of earnings. When interest rates are rising, stocks tend to be restrained. If interest rates decline, as they are expected to do as soon as inflation is tamed, this should have a positive effect on stock prices.

We must remember, too, that stocks are historically cheap in relation to other things such as real estate, commodities, works of art, labor and money. If investors feel better about stocks as a result of lower inflation and more confidence, stocks may resume their former role as an acceptable hedge against the decline in the buying power of currency.

The dollar probably will continue to improve vis-à-vis the yen, the mark, the franc and the pound and this can be important. A more healthy dollar might make American equities more attractive to foreigners, whereas a cheap dollar has made them less desirable. As everyone knows, the weakness in the dollar last year put the U.S. in a distorted light in relation to the rest of the world.

So at the beginning of 1979, we must recognize that we are dependent on the skills and talents of those who are making such a determined effort to tame (rather than end) inflation by slowing down the economy without allowing a recession to turn into a depression. We had better cooperate with them, and pray for their success.

Near term, it usually is helpful to watch what the stock market does in the first two or three weeks of the year. Historically, the trend in this period has set the tone for the next two, three or four months, but not necessarily for the full year.

Once more I would like to say that the fastest-growing industry in our time is air travel and air transportation. That means we must have more and more airplanes. The important manufacturers are *Boeing* (72) and *McDonnell Douglas* (34). The automotive and residential building industries probably will have the largest declines in earnings. The best improvement in profits this year, outside of the planemakers, should be in natural gas.

(This is Mr. Hooper's last regular column for FORBES; *for an explanation, see p. 8.)* ■

Lucien O. Hooper is vice president of the NYSE firm of Thomson McKinnon Securities.

Receive 10 weeks of Value Line for $29

This trial subscription is open to you only if no member of your household has subscribed to Value Line in the past two years. We make this special offer because we've found that **a high percentage of new subscribers who try Value Line stay with us on a long-term basis.** The increased circulation enables us to keep our subscription fees to long-term subscribers lower than would otherwise be possible.

Under the special trial offer you will receive the 2400-page Investors Reference Service (illustrated above) at no extra cost. You'll receive all the new full-page reports to be issued in the next 10 weeks on the more than 1700 stocks and 91 industries regularly monitored by The Value Line Investment Survey. **Filing takes less than a minute a week. All this material is so organized in your binder that you can quickly turn to a continually updated report on almost any leading stock.**

Thus you'll find it convenient to have The Investors Reference Service at your fingertips whenever you need facts and figures, as well as Value Line's projected performance ratings on more than 1700 widely held stocks in 91 industries.

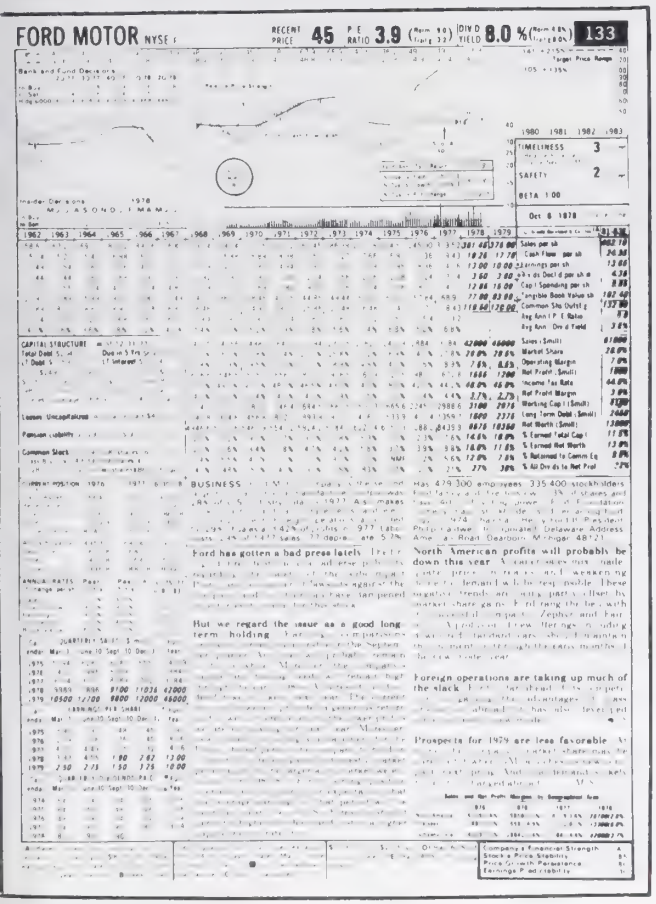
In the **Selection & Opinion** section, which accompanies your weekly reports, you'll also get analyses and forecasts of the national economy and the stock market . . . guidance on current investment policy explaining Value Line's bullish long-term position on the securities markets . . . plus Value Line's specific stock selections.

Take advantage of this special introductory offer—and receive, as bonuses without extra charge, the 2400-page Investors Reference Service and the "Investing in Common Stocks" booklet, which explains how even inexperienced **investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Safety.**

This subscription is tax-deductible if utilized to aid in the management of your investments.

Fill in and mail the coupon below.

This is a sample full-page report of one of the 1700 stocks regularly reviewed by Value Line, reduced from 8½ x 11"


FORD MOTOR NYSE
RECENT PRICE 45
P/E RATIO 3.9
DIV'D YIELD 8.0 %
133
TIMELINESS 3
SAFETY 2
BETA 1.00
BUSINESS
Ford has gotten a bad press lately.
But we regard the issue as a good long-term holding.
North American profits will probably be down this year.
Foreign operations are taking up much of the slack.
Prospects for 1979 are less favorable.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc.
711 Third Avenue, New York, N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

This famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $295. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)
☐ Enter my subscription now. Bill me for $295. (Does not include the calculator.)

Mail coupon today—or call toll free for credit card orders: 800-247-2160 (1-800-362-2860 in Iowa)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.)

516J01

Executives and Professional People

BORROW up to

$25,000

by Mail

If you need money...it's good to know you can borrow in utmost privacy...by mail. We are geared to serve the needs of the executive or professional person. Competitive rates, payments. Prepay without penalty. Interest is tax deductible. Mail coupon in confidence.

POSTAL EXECUTIVE FINANCIAL SERVICES INC.

C. E. Wilson, Vice President
Dept. 0390
14201 E. 4th Ave
P.O. Box 39F
Denver, CO 80239

Write to:
C.E. Wilson, Vice President,
Dept. 0390
14201 E. 4th Ave., P.O. Box 39F
Denver, CO 80239

Send complete information and a loan application

Name_____

Address_____

City_____ State_____ Zip_____

affiliate of The St. Paul Companies, Inc.

963

DIAMOND INTERNATIONAL CORPORATION

97th CONSECUTIVE YEAR OF DIVIDENDS

The Board of Directors of the Diamond International Corporation on Dec. 7, 1978, declared a quarterly dividend of 55¢ per share on the Common Stock, payable Feb. 1, 1979, to shareowners of record Jan. 3, 1979. Additionally, for the period November 15, 1978 to January 31, 1979, the Board of Directors also declared an initial dividend of 26¢ a share on the new Series A Preferred Stock, payable February 1, 1979 to holders of record on January 3, 1979.

GEORGE PASCALE
Vice President-Secretary

Forest Products • Packaging & Printing
Consumer Products • Building Materials &
Home Supplies • Machinery Systems

The collapse of our currency in the world money markets . . . was the way of tellin us that it was high time to mend our ways

DO WE HAVE THE FORTITUDE?

By Heinz H. Biel

IT DID NOT take long for Mr. Kahn, the candid guidelines czar, to be told that the word *depression* is still taboo. Even *recession* is a term to be avoided, if possible, because its negative connotation tends to revive uncomfortable memories. Fortunately, we have a knack for making up euphemisms, and so we now prefer to use such circumlocutious terms as *negative growth rate* in lieu of recession and *soft landing* to describe a shallow one. Don't they sound much more comforting—just like calling the undertaker a mortician?

However, regardless of what terms we use, we must face the fact that the expansionary phase of the present business cycle is soon to have its fourth anniversary. This is pretty old by past standards.

How did we manage to keep the pot boiling for so long? By constantly injecting artificially created buying power into the economy, partly by means of large budget deficits and partly by the liberal credit policies of our banking system. Both the budget deficits and the credit explosions were made possible by a highly accommodating Federal Reserve.

We are paying a stiff price for trying to prolong the period of prosperity. The value of the U.S. dollar has been cut in half in just over ten years. The collapse of our currency in the world's money markets was the final denouement. That was the world's way of telling us that it was high time to mend our ways.

I think we are really trying. I also think that the majority of the American people are willing to accept son hardship in return for reasonable st bility of our dollar. I remain hopefu But being a realist, I have to be skep cal about whether this country, as whole, has the fortitude to keep i spending close to its income.

If it were not for this skepticism or shall I say pessimism?—I wou advise staying out of the stock mark altogether at this juncture. Howev as I fear heavy inflation will be wi us for years and years to come, I wou rather own shares of sound corpo tions than have all my money in d lar-denominated securities.

The last time we went through period of very high interest rat some four years ago, investme bankers thought up a new type of curity that might attract reluctant vestors: "floating-rate" bonds, which the rate of interest would r be fixed but could fluctuate. The int est rate would be adjusted periodica to reflect the ups and downs on t money market rates, specifically t rate on 90-day Treasury bills.

Floating-rate bonds never beca popular in thie country and only a f such securities were ever issu However, there is one bond tl seems to meet today's requireme particularly well. It was issued by T New York Bank for Savings. Obvio ly, this is an obligation of high quali These are the terms:

1) It matures on Dec. 1, 1981, or less than three years.

2) Interest is being paid and adju ed on a quarterly basis to refl changes in the 90-day Treasury l rate; it will be 1¼% above this ra but never less than 8%. The pres rate, *i.e.*, for the period from 12/1/78 2/28/79 is 9.95%.

3) The bond is listed and qu actively traded on the New Y Stock Exchange. It is selling ri now at a price of about 98¼ fo *present* yield of over 10%.

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

know that similar yields are obnable on a variety of other investnts, but this bond, with its nearly al three-year maturity, provides for rticipation if money rates should go en higher and at the same time otects against a sharp decline in inest rates such as we saw between 74 and 1976.

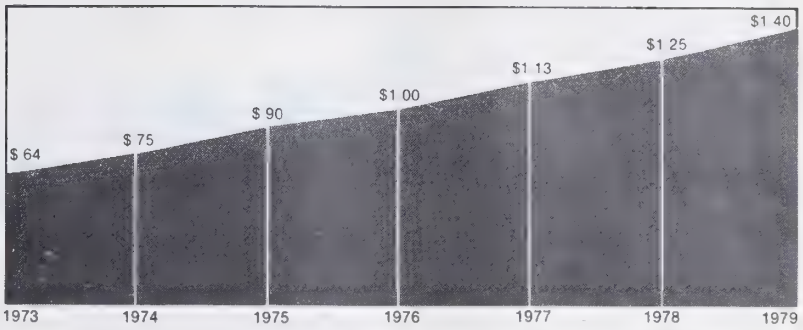
n recent months *Boeing Co.* (70) has en receiving commercial jet orders m airlines in just about every coun- in the world except, maybe, Alba- and North Korea. The company's er books are bursting at the seams. rring large-scale cancellations due a worldwide political or economic amity, Boeing can look forward to ny years of great prosperity.

There has been so much publicity ut Boeing's order influx, the stock been such a star performer in the rket and the analysts' earnings proions are so glowing that bullishs may approach the point of exstion. My affection for the stock ains high, but no one should have illusion that it can conceivably licate its stunning market perfornce of 1978. We have moved from icipation to fulfillment, and after fillment what is there to look ford to?

nvestors whose holding period is l short term may just as well sit on ir Boeing shares a while longer, n if the capital-gains potential is longer sparkling. However, there is ther and profitable way of playing Sell a May 1979 call option, exerable at 80, for which you will reve about $700 at present. If your ding period doesn't reach the oner market until later, sell the August ion for about $900. If Boeing uld sell below 80 by next May or gust, the option will expire and you l have earned extra income.

Boeing should sell above 80 at the iration time, your stock will be ed. This means, in effect, that you selling your stock at 87 (80 + 7), rly 20% above its current price. if in the meantime you have bene so enamored of the stock that don't want to lose it, just buy k the option before it is exercised. ou have to pay more to repurchase call than what you received when sold it, you will have a short-term s, but this is far more than offset by long-term gain on the stock you d. Or you simply buy another 100 res for delivery against the call and d on to the original shares with ir nice capital gain. ■

GNN raises dividend 17 percent



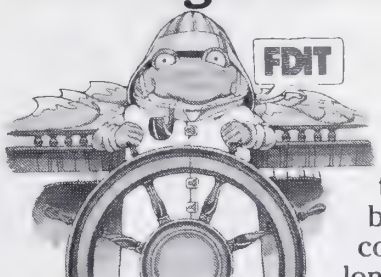
Reflects 5 for 4 split in 1974 and 2 for 1 split in 1976. 1979 is current rate.

GNN has increased its dividend to shareowners again. And again. Seventeen percent on November 1 and six times in five years. We see strong markets ahead for our paper and our dividend reflects our confidence.

For a copy of our annual report or fact book, call or write Investor Relations, Great Northern Nekoosa Corporation, 75 Prospect Street, Stamford, CT 06901. Tel: (203) 359-4000.

Great Northern Nekoosa Corporation

Ride out today's stormy market with high income and stability.



Today's market conditions make Fidelity Daily Income Trust more attractive than ever. The Trust's diversified portfolio of high quality, short-term securities lends excellent stability. Meanwhile, current yields compare most favorably with longer-term investments.

Of particular importance is FDIT's daily liquidity. Free check and telephone withdrawal options allow complete investment flexibility. The minimum initial investment is $5000.

Learn more today with a toll-free call.

Call Free (800)225-6190 In Mass. Call Collect (617) 726-0650

FDIT **Fidelity Daily Income Trust**
P.O. Box 832, Dept. JB 010879
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

FIDELITY GROUP
Over $4 billion of assets under management.

Name _____
Address _____
City _____ State _____ Zip _____
Company _____
Telephone _____
Retirement Plan Information: Keogh ☐ 403B ☐

WHEN OUR ADVICE PAYS OFF FOR YOU — THEN YOU PAY US.

We're so sure that our professional consultation can make your hotel or restaurant more successful that you don't pay us until you see how well it works for you.

PBI Hospitality Management offers full service consultation, long or short term management contracts and leases in all categories of food service and lodging operations.

Your company should hear our ideas. For more information, please contact:

PBI MANAGEMENT, INC.
MR. MICHAEL G. BARNETT
DIRECTOR OF OPERATIONS
P.O. BOX 420
WEST MIDDLESEX, PA 16159
TEL. (412) 528-2501

WORK IN THE PARK INSTEAD OF THE JUNGLE.

Fed up with the problems associated with many traditional business and industrial locations? Consider moving your business to the office/industrial park at Miami Lakes, Florida.

A few minutes from Miami Int'l Airport, between Dade and Broward Counties, right next to the largest labor force in South Florida. An established community, widely regarded as one of the most beautiful and carefully planned in the Sun Belt. Over 70 companies, including branches of major corporations, call Miami Lakes home.

For a brochure, call or write David Van Daam.

MIAMI LAKES
14340 N.W. 60 Ave., Miami Lakes, Fla. 33014.
(305) 821-1130.
Miami Lakes Properties, Inc.
Registered Real Estate Broker

OWN YOUR OWN MONEY BUSINESS

REPRESENT OVER 2,000 U.S. SOURCES OF CAPITAL
"BECOME A FINANCIER"

Ideal for executive type person. R.E. Ins. and stockbrokers. Operate from your own dignified professional office. Clients come to you for Business Capital Assistance. Must be sincere with well-rounded business background. Instant Hi income for right person.

$U.S. 18,000 Cash Will Handle

For details write giving phone no. to:
OR Call Mr. Vander: (213) 463-4841
Dept. 5 Computer Capital Corp.
6922 Hollywood Blvd., Los Angeles, Calif. 90028

Most of John Templeton's new positior are familiar names. A few years ago, mo of them were unrecognizable.

SMART MUTUAL FUNDS

By John Train

A SMALL open-ended fund, *Sequoia Fund*, has been outstandingly successful in both up and down markets. Its policy is a mixture of the Ben Graham style of "value" investing (Chairman William Ruane was a personal disciple of Graham's) and the search for unassailable business "franchises" which provide greater-than-average growth. Its largest position is in Capital Cities Communications (which owns television stations and newspapers), followed by Interpublic (the world's largest advertising agency) and the Washington Post Co. Media investments total almost half of the entire portfolio.

It is thus significant that the fund has cut back heavily on its holding of Storer Broadcasting, since this is an area that management knows well.

In recent months, new positions have been started in Reynolds Metals, Detroitbank, Western Pacific Industries (an industrial conglomerate that proposes to sell its railroad to its employees, giving it a $100 million tax loss to carry forward) and Supermarkets General. There have been major buildups in Capital Cities, Polaroid, Houghton-Mifflin, Ogilvy & Mather, Hillenbrand Industries (a leader in manufacturing both caskets and hospital beds), Tandy (proprietors of Radio Shack stores), Pittsburgh National (the holding company for Pittsburgh National Bank) and Glatfelter Co., who are manufacturers of fine coated papers. Glatfelter, says Ruane, is an outstanding company selling in the market for a quarter of its replacement value.

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

Bill Ruane and Richard Cuniff, w run the fund, point out that bank tr departments, corporate pension fur and individuals have all been selli reflecting a degree of discourageme about equities without parallel sir the late 1940s and early 1950s—a pe od that was followed by 15 years stock market happiness.

For many years, *Templeton Grov Fund* has been perhaps the best p forming of all nonspecialty inve ment companies. Portfolio mana John Templeton's technique has be based on seeking the best bargai wherever they were to be found, gardless of whether the compan were well known or not.

This has attracted a lot of inves interest. A few years ago the wh fund was less than $20 million; toc it's ten times larger: around $200 m lion. It has quadrupled in the last t years and more than doubled in last 12 months.

Needless to say, this creates a m difficult investment problem for m agement, and it would be remarka if the relative performance superior of the fund could be maintained in future. The most common reason loss of superiority in an investme organization is permitting too-ra growth. The second is that the k man tries to do too many things.

Not surprisingly, since I last wr about the fund in this column, Jo Templeton has started over two d en new positions. Most of them familiar names into which he can substantial amounts of money. A f years ago, most of his holdings w unrecognizable.

The largest industry category now oil and gas, up from 9.6% of total at the end of the April quarter 14.4% in October. New positions d ing the quarter (in order of size) Union Oil, Northern Natural, Cit Services and El Paso. The largest s gle holding, however, is Royal Dut which was doubled in size during

period, as were Amerada Hess, Gulf, Houston Natural and Mitchell Energy & Development.

The next largest industry category is insurance, which Templeton has built up from 7.3% of the whole portfolio to 12.6%. Here the new positions are Hanover Insurance, Reliable Investors, Washington National and American Income & Life. MGIC and USF&G have been increased from nominal to major size. Holdings that have been doubled in amount are Aetna Life & Casualty, INA, Kemper and Reliance Group.

Elsewhere in the fund large new positions include (in order of size) First Pennsylvania, PepsiCo, Denny's, Royal Crown, Cummins Engine, Grantree (which rents furniture and equipment), Service Merchandise (a large catalog showroom merchandiser), Envirotech, Eaton, Australian & New Zealand Bank (the second largest in Australasia), White Consolidated and Volume Shoe.

Templeton's other largest positions by far are now Ford and Alcan Aluminium; followed by Monsanto, NuWest Development, Hitachi, Church's Fried Chicken, Jim Walter, Teledyne and S.S. Pharmaceutical (the second largest Japanese producer of nonprescription drugs).

In a period of such rapid cash inflow, Templeton's eliminations and major cuts have more than usual interest. They include Storer Broadcasting (also cut by Sequoia), Interpool, Keller's, Mervyn's, B.F. Goodrich, Holiday Inns, Cummins Engine, Husky Oil, Pepcom, Sambo's and Canadian Pacific Investments.

Clarifying an error in the early part of the print run of the last issue, two South African gold-mining groups, Goldfields of South Africa and Anglo American, both sell at 40% discounts from breakup value, only pay out about half as much in dividends as they take in, and yield about 11%. To me they are more attractive for the nonprofessional investor than are individual South African mines.

Incidentally, in the two centuries from 1344 to 1552, gold slowly doubled, from a little over £1 to a little over £2 per Troy ounce. Over the next century, to 1662, it doubled again, to £4, where it remained for almost three centuries, until 1931, when Britain abandoned the gold standard. Since then it has soared over 1,700%! Inflation needn't be a way of life, and indeed is intolerable; but with paper currency it is inevitable. ■

HIGH TAX-FREE YIELD WITH NO SALES CHARGE. THAT MAKES US A STAR.

Investors seeking a high tax-free* yield should compare both the yield and the features of Fidelity High Yield Municipals to other funds, managed or unmanaged.

The Fund seeks a high tax-free yield from a portfolio consisting primarily of A and Baa rated bonds. There is no sales charge. All of your investment is put to work earning tax-free income.

In addition, there is full-time management, daily liquidity, a low management fee (45/100 of 1%), and automatic reinvestment.

Learn more about this five star combination today.

*A portion may be subject to Federal, state or local taxes.

CALL FREE (800) 225-6190

In Mass. call collect (617) 726-0650

FIDELITY HIGH YIELD MUNICIPALS

FIDELITY GROUP

Over $3.5 billion of assets under management.

P.O. BOX 832, Dept. JB 010879
82 Devonshire St., Boston, Mass. 02103

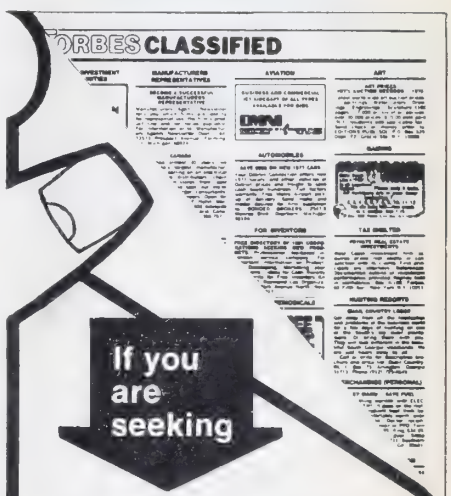
For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____
Address _____
City _____ State _____ Zip _____

REMEMBER IT DOESN'T GROW ON TREES

ENERGY CONSERVATION - IT'S YOUR CHANCE TO SAVE, AMERICA

Department of Energy, Washington, D.C.



If you are seeking

INVESTMENT OPPORTUNITIES

TAX SHELTERS

POSITIONS AVAILABLE

BUSINESS OPPORTUNITIES

REAL ESTATE, ETC.

Turn to pages 304-305 of this issue for

FORBES CLASSIFIED

Facts about tax-free income

A free brochure makes it easy to compare taxabie with tax-free returns for various tax brackets. • Shows how little you net *after taxes* from certificates of deposit and other taxable investments. • Analyzes the relative advantages of individual tax-free bonds vs. a tax-free unit trust. • And tells about a high quality investment that pays a high, fixed return, free of federal income tax. (Depending on where you live, you may have to pay local or state taxes.)

The brochure was prepared by an organization that has been specializing in municipal bonds since 1898 —John Nuveen & Co. Incorporated. For a free copy, mail the coupon or—

call toll-free (800) 221-4276 except in New York State call (212) 668-9500.

nuveen

John Nuveen & Co. Incorporated
61 Broadway
New York, NY 10006

Please send me information about tax-free vs. taxable income and a prospectus on the Nuveen Tax-Exempt Bond Fund.

Name

Address

City State Zip

Telephone Home Business

Brokerage Firm

Name of Broker

For more complete information on the current series of the Nuveen Tax-Exempt Bond Fund, including charges and expenses, send for a prospectus by telephoning or mailing this coupon. Read it carefully before you invest or send money.

LMFOR1-8-79

The stock market simply cannot accommodate everyone rushing for the door at the same time—either to buy or to sell.

STOCK MARKET VIBES

By Ann C. Brown

As INVESTORS prepare for a new year in the stock market, it's time to pick yourself up, dust yourself off and start all over again. A casual observer from some other planet, looking at the beginning and the ending 1978 Dow Jones industrial averages, might conclude that nothing of any consequence happened—the market ended the year about where it began. Missing, of course, would be the January Plummet, the April Buying Spree, the August Hot-Stock Wave and the October Massacre. Fortunes were made—and lost—with a rapidity never before seen. As I see it, this quick, sharp up-and-down market syndrome will be with us for quite a while.

First of all, consider the institutional domination of trading. The latest statistics I remember seeing showed institutions owning some 30% to 40% of all stock outstanding while accounting for over 70% of the total trading volume. Ever since "May Day" of 1975 (when the commission rates were allowed to float) institutions have been able to trade for greatly lowered transaction costs. However, in the process of saving a few cents a share, the institutions have lost a greater advantage—the capability of the marketplace to absorb their large sales or complete their big buys at relatively constant prices. The specialist system, like it or not, once provided a measure of stability to stock prices. However, as the size of the orders grew, the ability of the specialists to provide any semblance of order disappeared. Today, even a modest buy or sell order in a stock can result in a sharp daily price fluctuation of 5%, 10% or more. As the exchanges move closer and closer to computerized trading, my guess is that the result will be even greater price volatility than we have seen.

Another factor that has caused the wild gyrations in the securities markets has been the improved communications systems and the insistence by the regulators on the simultaneous dissemination of company news. With a greater number of better-educated money managers, this information is almost immediately translated into action, and the stock market simply cannot accommodate everyone rushing for the door at the same time—either to buy or to sell. Trading halts, once almost unknown, are now common occurrences.

About all an individual investor can do in this changed market climate is buy stock in good companies, ignore the short-term negative news and hang in there. My wealthiest client began buying and selling stocks in the late 1920s and kept on doing so through the Great Depression, World War II, the Korean and Vietnamese wars, the Eisenhower heart attack, the Cuban missile crisis, the Kennedy assassination, the oil embargo, the Nixon resignation and the Carter Administration. We should all live so long, so patiently and so happily.

One stock that could make patient investors happy these days is *Combustion Engineering* (35). The company, a major builder of steam-generating equipment and petroleum refineries, reported a surprising 21% gain in the third quarter, suggesting the possibility of $4.85 this year, up from $4.17 a year ago. Sales to the oil and oilfield service-related companies are strong, and Combustion Engineering should benefit from new orders for environmental-control systems as utilities switch to coal as a primary fuel

Ann C. Brown is executive vice president of the New York investment firm of Melhado, Flynn & Associates.

source. At the current price, Combustion Engineering is yielding 5%-plus and 1979 earnings are estimated to be around $5.45.

Being addicted to the printed word, I have long followed the fortunes of newspaper, book and magazine publishers. At the moment my two favorites are *The Times-Mirror Co.* (29) and *McGraw-Hill, Inc.* (24). Times-Mirror had a super year. For 1978 as a whole, the company's estimated earnings are around $3.60, *vs.* $2.77 in 1977. In addition to publishing the Los Angeles *Times, Newsday* and the Dallas *Times Herald,* the company also publishes a wide variety of books. The company is involved in newsprint and forest products, magazine publishing, owns a couple of television stations (maybe five more if the Newhouse Broadcast deal goes through) and cable TV systems. Earnings for 1979 are a little hard to pinpoint because the company can be affected by the economy as a whole, but $4 seems attainable. Times Mirror is selling close to what it sold for ten years ago, while the earnings and the dividend have quadrupled.

McGraw-Hill is one of the largest publishers of textbooks and technical, scientific and other professional books. The company also offers educational films, tests and a large number of trade books. The publication division publishes magazines, newsletters and the like for numerous fields of industrial, commercial and professional activities. The F.W. Dodge unit is well known as the supplier of construction news and statistics; McGraw-Hill owns Standard & Poor's Corp.—a very familiar name to investors. Like Times-Mirror, the company also owns some few TV broadcasting stations. Since 1971, McGraw-Hill earnings have increased steadily from 79 cents to $2.08 for 1977. For 1978, earnings are estimated at $2.50 and preliminary figures for 1979 are in the area of $2.80 to $2.90. The company has bumped the dividend to $1 in 1978, and $1.20 may be in the offing for 1979.

One last suggestion, take a look at *Materials Research* (20). The company is a big factor in "sputtering" equipment (translated into people-talk, that's apparatus to apply a thin film) and is a prime supplier to the electronics and telecommunications industries. No promises here—and a very thin stock—but the company could earn around $1.75 to $2 in 1978, up from 35 cents just four years ago. Optimists are predicting $2.50 to $3 in 1979. ■

Wise old saying—

"REACH FOR HIGH INTEREST RATES BUT KEEP YOUR MONEY WITHIN REACH."

CD's are fine for some purposes, but not for liquidity. Six months can be a long time in a fast-changing world—not to mention six years.

Let us help you obtain the best of both worlds—

HIGH INCOME AND LIQUIDITY.

Toll-Free Telephone Redemption • Free Check Writing

ROWE PRICE

PRIME RESERVE FUND

A No-Load Money Market Fund

Call toll-free 1-800-638-1527. If busy, or in Maryland, call 301-547-2136 or write Prime Reserve Fund, 100 East Pratt Street, Baltimore, Maryland 21202.

A-6

Name Address

City State Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

FREE FOR THE ASKING

Many advertisers in this issue are offering additional information at no cost to Forbes readers. For free information from those advertisers in the Los Angeles section, consult the reader service card facing page 195. For all others, use the card facing the third cover.

LARGE POTENTIAL CASH RETURN from OIL and GAS LEASES ON PUBLIC LANDS

* * * * *

The United States Department of the Interior (Bureau of Land Management) holds non-competitive public drawings each month to afford all citizens over the age of 21 years an equal opportunity to own oil and gas lease rights on lands owned by the Federal Government.

A $20.00 tax deductible filing fee could return a sum exceeding $75,000.00 immediately, plus an overriding royalty for possible future income.

* * * * *

For further information on how you can intelligently participate in the government sponsored program, contact:

MAX WILSON, INC.

P.O. Drawer 1978—FO
Roswell, New Mexico 88201
Toll Free Number 800-545-7955

Keep in mind that it is the nature of commodity trading to get most of your profits in a given time period from a single trade.

A WINNING SEASON

By Stanley W. Angrist

As the old year exits and the new year commences, it is time to examine once again my performance record for the previous six months. It's not outstanding, but on a percentage basis it is better, I believe, than the record achieved by 90% of all individual commodity traders.

Before examining my record in detail, I believe it might be worthwhile to consider how a single event can affect commodity traders who are on the wrong side of the market. During most of the summer and fall bulls in precious metals had been riding high. They could do no wrong by going long gold, silver and platinum in the face of a sick dollar, worsening inflation and spiraling interest rates. The gold bugs, silver streaks and platinum platers kept adding to their long positions by day and reckoning their profits by night. (This activity included trying to decide whether or not a simple two-door Mercedes 450SL would make an adequate Christmas gift for the doorman.) The March 1979 gold contract moved from under $200 per ounce in late July to over $250 in late October. That move represents a $5,000 profit on about $1,500 in margin for the 100-ounce gold contract. The flight from paper currency left every morning from the gold pit at the International Monetary Market or Commodities Exchange.

On Nov. 1 Mr. Carter announced his program to defend the dollar (and as an added bonus, simultaneously increase the suicide rate among precious metal traders). The metals started down—giving up in a little over four days most of what they had gained in seven weeks. The meaning of the expression "paper profits" was made all too clear to those who had overstayed their welcome at the Gold Bugs' Ball. The door was just too small to let all dancers out at the same time.

Well, on to the review of my record.

On July 24 I took my chances in the precious metal market with a gold spread that promptly went the wrong way. The gold contract spread of long December 1978/short December 1979 initiated at $19 premium December 1979 promptly widened, and wise traders took their licking at $21 and left the yellow metal to others. Considering what happened to most precious metal bulls in November, I will gladly take the $200 loss.

In the Aug. 7 issue I turned my attention to the lumber market with equally disastrous results. I recommended a bull spread and a bear spread and told traders to do whichever they could. By the time the magazine reached most readers, they could only do the bear spread—to their sorrow. Fortunately, the pain was over in a week and those who used the suggested stop got out with a $300 loss.

I turned my attention to bellies and hogs in the Aug. 21 issue, recommending a long February belly/short February hog position at 12 cents premium bellies. I was looking for a 10-cent profit ($3,600), and the market did rally 7 cents before collapsing back to where the trade was initiated. So far this one is a wash.

In mid-September I looked at frozen orange juice, foreseeing that the premium that November orange juice had on January OJ could not be sustained. November juice collapsed, making me look like a genius (or incredibly lucky—take your pick). I recommended getting out at 6 cents premium November for a $1,500 profit per spread.

Back on the winning track again, I recommended a very high margin trade of long the December 1978 D-mark/short the December 1978 British pound at a $15,000 premium the D-mark. This trade recommended in the Oct. 2 issue easily exceeded my $3,000 profit goal by mid-October, and not-too-greedy traders were out before the Nov. 1 announcement sent the D-mark tumbling relative to the pound.

My Oct. 16 potato spread of long March/short May, initiated at 140 points premium May, could have been closed out with May 80 points over by the end of October for a very satisfactory 60 point ($300) profit per spread.

Soybean oil and meal attracted my attention in the Oct. 30 issue. I recommended buying December meal and selling December oil, with meal selling at a $2,700 premium or less. I thought an $800 profit reasonable. Actually, $1,500 could have been harvested within a week of the recommendation. Being naturally modest, I'll only take credit for an $800 profit.

The Dec. 11 issue brought you a trade you should have ignored—long March corn/short March wheat with wheat at least at a $1 premium to corn. I have estimated that most traders would have put this trade on at about $1.20 premium, and the spread has widened even further so that open positions should be showing about a 5-cent loss, or about $250 per spread.

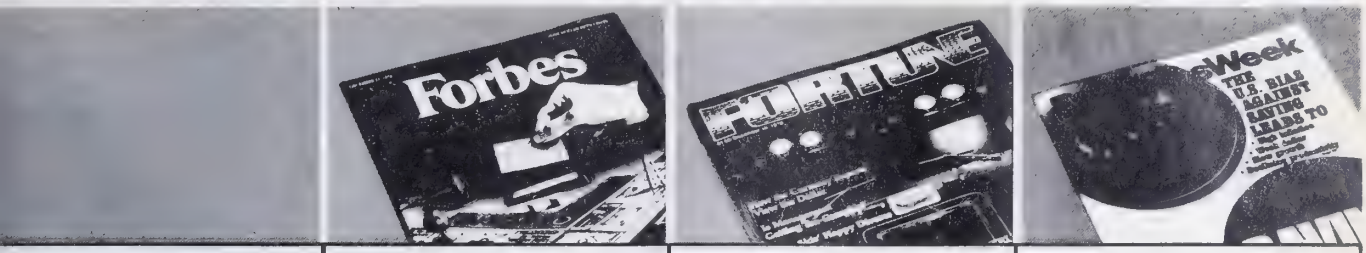
The long April/short October cattle spread recommended in the Dec. 25 issue has already moved so far in the forecasted direction that I do not believe any traders could have profited from the recommendation. I was correct, but a little late.

So where does that leave us for the second half of the year? Well, of the nine trades recommended, only eight of them could have been placed. Six of the eight that were recommended have been closed out, with four of them showing profits of $5,600 and two of them showing losses totaling $500. Thus on closed-out positions I am ahead $5,100. For the two open trades, one's a wash, and the other is showing a loss of about $250. (Commissions have been ignored in these calculations, but they would have totaled no more than $500.) Again, keep in mind that it is the nature of commodity trading to get most of your profits in a given time period from a single trade—in this case it was the D-mark versus the pound.

On balance, I believe the record is nothing to be ashamed of and most commodity traders would be pleased to go four for eight. It is certainly better than being poked in the eye with a sharp stick. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

Forbes circulation is so healthy



NET PAID U.S. CIRCULATION*	**650,246**	**553,359**	**653,942**
Average Arrears and Extensions	**None, thank you**	**6,972**	**32,347**

(Comparisons of analyzed issues in Publishers' ABC Statements for 6 months ending June 30, 1978 less average arrears and extensions).

it's enough to give the competition high blood pressure.

's as simple as ABC.

In the first six months of 1978 FORBES emains nearly 100,000 paid U.S. subscribrs ahead of Fortune. And the net U.S. irculations of FORBES and Business Week re virtually the same.

ubscriptions Sold at Basic Price

During that same period, Fortune manged to sell only 27.5% of its subscriptions at asic prices. Regular price subscriptions re the very foundation of healthy circulaon. And in that department FORBES did vice as well as Fortune.

Subscriptions Ordered by Mail

This is the category of subscriptions genrally recognized as producing the best uality of circulation. Here's the score from he same Publishers' ABC Statements. ORBES: 93.4%.—Fortune: 87.0%.—Business Veek: 66.9%.

% of Subscriptions Ordered for Three Years or More

Nearly one out of three FORBES subscripons is sold for a term of three years or more. nd here's the competitive score—FORBES 1.6%.—Fortune 3.8%.—Business Week 0.9%. FORBES' percentage climbed. ortune's and Business Week's remained tatic. And FORBES needed to sell the fewest number of subscriptions during the period to maintain its circulation. As the chart indicates, FORBES did this with no arrears or extensions, such as the competition experienced.

The Reason for it All

Most important of all is the "who" behind these circulation figures, and the "what" that attracts them. FORBES subscribers own and run American business. Their average household income is $52,700. Their average net worth exceeds a half million dollars. More than two out of five are in top management. And very simply: FORBES editorial content gives them a range of news, analysis and comment matched by no other magazine in meeting their particular needs. In fact, repeated studies show that FORBES rates number one in top management's measured reading preferences among all other major business and news magazines.

Which is why leading advertisers are placing FORBES at the very top of their business and news media schedules.

After all, how a magazine circulates, determines how an advertising campaign circulates, too.

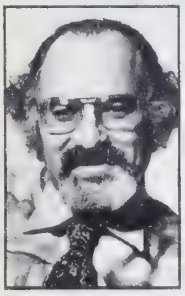
And in that respect, our circulation can make a healthy difference in yours.

Forbes: Capitalist Tool

New York and Beverly Hills are exporting high-chic inflation to the rest of the U.S.

THE $600 JACKET

By Martin T. Sosnoff



NEW YORK on $500 a day is no longer a gibe at the very rich. It is here, now, today. The hotels are jammed, office rents have doubled in two years: Try $30 per square foot for most of the prime midtown space. Desirable two-bedroom apartments rent for $1,500 a month—if you can find them—and co-op apartments sell as if they were castles in Switzerland.

I haven't bought a new suit in some years and when my wife nudged me in to my bespoken ragman, the going rate for a sports jacket had escalated to $600 from $200 five years ago. After the shock wears off, you leave the trendy boutique, resolved to make another $10 million so you'll have petty cash left over for a can of tennis balls and a few light bulbs. (Those 25-cent bulbs are now two for $1.66.)

I'm homesick for the late Fifties. When summer rolled around you bought a seersucker jacket for $25 and through the dog days coordinated it with your gabardine slacks. I made a hundred a week then as a junior securities analyst. My rent was $85 a month on Pierrepont Street in Brooklyn Heights. I ate well and was never short of money.

Admittedly, New York is not the rest of the country. Perhaps you can still get a solid breakfast in Akron, Ohio for $1.25. But I've got to believe that just as New York exports fashion from Seventh Avenue, we also export a lifestyle that eventually reaches even the American Legion Hall in Lincoln, Neb. Inflation is now a way of life in the big cities. The noise level in the hotels matches the Democratic convention. You are 18th in line for takeoff for San Francisco. The faces walking along Madison Avenue are exotically Oriental, Latin and Semitic; we are the haven for the currency of rich foreigners who fear getting their kneecaps shot off and crave the anonymity of the cities. Close the door and you are alone.

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

What have the narrow-gauged economists missed? They are just beginning to crank into their computers the changing sociology of work. Everyone works today, even the Beautiful People. Jackie O. and her crowd. Single-family households multiply and everyone spends what he makes. The consumer is not so dumb after all. If the inflation rate is 9% and you can borrow money for 10% or 11%, it's a good deal: There is little premium you are paying for the use of someone else's money. In fact, it is the country's biggest bargain.

This is the end of the rate cycle, says David Rockefeller. Morgan Guaranty Trust seconds the motion. Recession lurks around the corner, certain in six months or less. But bankers are wrong most of the time. If you don't believe me, keep a six-month suspense file on all the predictions you read about in the financial press. They go amiss. The only wonder is that the same people venture out in print so often.

There are two armed camps in Wall Street today. Those who see recession around every corner and those who expect the guest to arrive late, maybe early 1980. The interest rate and inflation cycles are tied to the guesses on economic deceleration. This is a mistake. Interest rates can hang up there, like a good punt, for a year after the economy tops out. Inflation likewise. My visceral reaction to the statistics and to my lifestyle tells me that the overheating, credit-crunch scenario is more probable. Light bulbs are oligopoly goods. Prices go up easier. General Electric and Westinghouse insist on rising profit margins. My tailor is a crook, but he is too well camouflaged to encounter Alfred Kahn, our inflation overseer.

Because my prayers for a recession have been lost in the Christmas mail, I wish that 1979 would go away and that it should be 1980 already. Actually, I think 1979 will make all the forecasters a little right. We could have high interest rates and inflation, but the stock market won't break much below 800. The dollar may wax stronger while the trade balance takes longer to correct itself. Gold could fluctuate 20% or more just as it did near year-end 1978, and the money managers will claim they are half invested or half disinvested, depending on which way the averages slant. Will Treasury bills once again outperform bonds and equities? Why not? They have been doing it nicely for many of the past ten years.

All of us who believe in the immense cash flow available for equity investment patiently wait for a more orderly environment. But the only orderly environment in this country is one made of recessionary forces: less spending and consumption. If only we had four quarters of zero real growth in the gross national product, the market would go wild. Gold bullion would be exchanged for IBM. Foreigners would stampede out of Hong Kong and Japan and buy all our blue chips. Price/earnings ratios would finally start up again and domestic pension funds, the Ford Foundation and Harvard University once again would believe in ownership of growth stocks just as in the Sixties and early Seventies. Everyone would take off his crash helmet and participate.

Sadly, it will take a deep recession to get all of us believing in growth again. This is my 1979 paradox that's worth some reflection. New York and Beverly Hills are exporting high-chic inflation to the rest of the U.S. For how long can Toledo and Akron hold out? Do the men in work shoes take to debt as a *Consumer Reports* best-buy, or instead do they demand from their politicians that tax reduction be indexed to consumer prices? (If prices go up faster than wages, you get it back in tax cuts.)

So far, Fatcatsville, high-chic inflation, is winning and people are defending themselves by going into debt. I can't tell you that I called my tailor a crook and walked out. Actually, I made an appointment for a second jacket. The New Year is here and it would be a mistake as an investor to believe in it 365 days' worth. If I had to, I would choose the second half. By then, the sold-out bulls will be reinvested and biting their nails like the locked-in bulls. Everyone will be waiting and waiting still for the good news—the recession that is just around the corner. ■

The bear will prowl the early months of the year, but the bull will raise his proud head in late 1979 and early 1980.

FIRST THE BEAR, THEN THE BULL

By Richard B. Hoey

INFLATIONARY expectations will be raging by the spring of 1979. Consumer price inflation should surge at a 10%-to-11% rate in the first half of 1979, led by meat prices rising nearly 2% a month. This should trigger renewed decline in the dollar and tighter monetary policy.

Foreign owners of U.S. dollars have a veto on U.S. monetary policy. Led by key members of the Organization of Petroleum Exporting Countries, they exercised their veto in October 1978 by dumping dollars so fast that we were in the early stages of a worldwide financial panic. If inflation does surge to double-digit rates in early 1979, foreigners may use their veto again, forcing the Federal Reserve to accept yet higher interest rates.

The Administration, the Congress and the Federal Reserve all want to avoid a recession. But the past inflationary actions of all three have doomed the U.S. to one. Before it begins, there should be a last powerful surge of industrial activity and inflation, driving interest rates higher by spring.

The sooner we bite the bullet and accept a recession, the better. If economic expansion continues through all of 1979, we could have even more serious problems with the dollar and inflation, and wage and price controls might become mandatory.

If economic expansion persists into 1980, it is hard to believe that the President would readily accept a recession in the year he runs for reelection. That would create a clear and present danger that President Carter will repeat the Nixon folly of 1972. Then, the inflationary impact of stimulative fiscal and monetary policies was temporarily suppressed by price controls in the preelection period. We're still living with the inflationary consequences of that policy error.

The prospects are good that the expansion *won't* go on that long and that we will be in a recession by this summer. That's not good news, but it's better than the alternatives.

There is a pattern linking the stock market and the economy that has been reliable in the past. The stock market always declines before a recession begins, and that market decline tends to persist through the early months of the recession.

But recessions are also the breeding grounds for bull markets. The best gains in stock prices usually occur late in a recession and early in an economic expansion.

Bull markets begin late in a recession for several reasons. First, by then the bad news is out and fully discounted. Second, interest rates eventually drop as a shift to easier monetary policy coincides with a slowing of credit demand. Third, the period of slowest inflation always occurs somewhere in the first 12 to 18 months of the economic recovery. The stock market often mistakes this temporary cyclical slowing of inflation for a more lasting slowdown.

In this cycle, there is a fourth reason to expect that recession will breed a bull market. Foreign investors are still hesitant to invest in our stock market because they view us as wildly inflationary. Once we go into recession, they may expect our inflation to drop in the future. If so, their buying could ignite strong gains in stock prices from deeply depressed levels.

Suppose that the economic downturn actually does begin in mid-1979. Then the bear will prowl the early months of the year, but the bull will raise his proud head in late 1979 and early 1980.

In the meantime, remember that it's the individual investors who have the margin debt, while the institutional investors have the cash reserves. Many individual investors are praying for their stocks to go up so they can get even and get out. The portfolio managers at the big institutions are praying for the market to go down so they can buy high-quality stocks at cheap prices.

In these uncertain times I'd rather be in the stocks that the cash-rich investors are looking to buy than in the stocks that heavily margined speculators may be forced to sell. Stay with the highest-quality stocks for the next several months. I would avoid any stock that has been a speculative favorite in the last year.

Union Oil of California (55), with earnings estimated at $7.90 for 1978 and $8.75 for 1979, is an attractive stock. The company's oil is already controlled down to an average of about half of the world market price. In contrast to the trend toward stiffer price controls for the overall economy, controls on oil and gas prices are gradually being eased. The company has huge reserves of natural gas and sells at seven times earnings. Its acquisition of Molycorp gives it a long-term kicker, with a virtual monopoly in rare earths. Union Oil now yields only 4.4%, but with the pay-out ratio now only 30%, strong dividend growth should be anticipated.

Yield-conscious investors should also investigate the convertible preferred stocks of *International Telephone & Telegraph* (27), which has estimated earnings of $4.80 for 1978 and $5.30 for 1979. Some of these preferreds have recently been yielding about 9% and offer potential capital gains if and when the underlying common stock moves higher.

We continue to favor regional banks located in the South and West, including *Security Pacific* (30), with earnings estimated at $6.25 for 1978 and $7.15 for 1979; *Western Bancorp* (24), earnings estimates: $4.50 and $5.15; *Flagship Banks* (10), which has estimated earnings of $1.60 for 1978 and $2.20 for 1979 and *NCNB* (12), with earnings per share estimated at $2.05 and $2.40. Loan losses should be much lower in this economic downturn than during 1974-75. Some potential for really large loan losses may exist in ship loans and foreign loans, but any such losses would hit the big money-center banks more than they would the regional banks. ■

Richard B. Hoey is a vice president and investment strategist at Bache Halsey Stuart Shields.

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $18.65. Minimum size ad is one inch (14 agate lines) costing $261.10. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $18.30. Minimum size for display is two inches (28 agate lines) costing $512.40. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:

SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 675-7500

FAST FACTS ABOUT FORBES SUBSCRIBERS

★ Total paid circulation: 670,000

★ 306,000 are in top management positions

★ 184,000 serve on their companies' board of directors

★ 150,000 serve on boards of companies other than their own

★ 619,700 own stock. Average holdings: $232,000

★ Average household income: $52,600

★ Average net worth: $533,600

Forbes: Capitalist Tool

AVIATION CONSULTANT

CORPORATE AIRCRAFT
Company Airplane?

The question is very complex and should be answered only after a professional study by an independent analyst.

Most decisions are made on emotions and hardware provided by biased aircraft salesmen. The decision should be based on software analysis and facts that include hardware in the overall pro forma. A thorough study will include analysis of travel, cash-flow, aircraft trade-offs, operating costs, maintenance, operating, and safety procedures. Crew evaluation and selection if desired.

Contracts with principal operating executives only.

REBEL AVIATION CONSULTANTS
500 Lowell Drive
Huntsville, Alabama 35801
205-533-0491

BOOKS & PERIODICALS

TRADELOOK, a leading bimonthly magazine. Excellent articles on investments, commodities, and international trade by experienced investment advisors and business professors. $15 per year. P.O. Box 3077, Church St. Station, NYC 10007, (212) 457-5420.

ART & ANTIQUES

COLLECTORS SERIES™ PRINTS & LITHOGRAPHS

Superb selection includes WWI & II airplanes, autos, ships, railroad & American scenes, Indians, wildlife, & a variety of other subjects ready to frame. Send $1.00 for catalog.

Write **COLLECTORS SERIES**
Dept. FM, Box 7919,
Chicago, IL 60680

AUTOMOBILES

'79 Cadillacs Cost Less In Detroit

Dalgleish Cadillac has the lowest sticker prices in the U.S.A.
Buy your new 1979 Cadillac in Detroit from Dalgleish, the closest dealer to the Cadillac factory.
Before you buy any Cadillac, anywhere, anytime, call or see:

DALGLEISH CADILLAC
6160 Cass Ave., Detroit 48202
near the G.M. & Fisher Bldgs.
"Michigan's Largest Cadillac Dealer"
Phone (313) 875-0300
Call Tom Hodge or Al Kline

SAVE $$$$ ON NEW 1979 CARS

Buy at Detroit prices—save on freight, too! Full factory warranty. Call toll free (800) 521-7257 for computer printout price, or mail make & model to:

BONDED BROKERS
2547-S Monroe Blvd
Dearborn, Michigan 48124
(313) 565-5577. Specializing in Lincoln, Mercury, Ford & other "Big 3" makes.

INVESTMENT ADVISORY SERVICE

REPUTABLE COIN FIRM SEEKS INVESTORS!

- Personalized Service
- Free Counseling Available
- Amazing Profits Possible
- Member American Numismatic Association
- Over 15 Years Experience
- Satisfaction Guaranteed
- Investment Report—**$2.00**

Lewiston Coin Center
621 Main-Lewiston Mall
Lewiston, Idaho 83501
1-208-746-0246

CAPITAL & INVESTMENT OPPORTUNITIES

$17 ENTRY . . . $200,000 RETURN?

A $17.00 tax-deductible filing fee on non-competitive public drawings for oil and gas leases by the Federal Government could return $200,000.
Free details.
AA OIL & GAS INC.
2051 East Camelback Road
Phoenix, Arizona 85016
(602) 955-7600

FOR SALE OR WILL VENTURE

Producing open pit gold mine. Heap leaching. Large property. Small scale operation needs capital to increase production scale. Ideal for small well-financed company that wants immediate cash flow. Requires over $500,000.

F.W. LEWIS
120 Greenridge Dr., Reno, NV 89509
Phone: 702/826-2404

Prospective TEXAS OIL LANDS AVAILABLE

To get **Investor's Report** telling how you can acquire interests, send $5.00 to
PETROLEUM PRESS
Box 784, Tyler, Texas 75710

REAL ESTATE

HOUSE HUNTING? or selling

Find out how fast and easy it really can be! Write for our FREE booklet - TAKING THE HASSLE OUT OF HOUSE HUNTING ... and how to sell your home for the right price fast. **No obligation!**

M _____

RELOCATING? CALL TOLL FREE FOR RELOCATION ASSISTANCE ANYWHERE!
800-325-3777
Realty USA®

FREE CATALOG

Big, Free Spring 1979 Catalog describes and pictures more than 2,(farms, ranches, acreages, recreatio properties, businesses, town country homes in 41 states coast coast! Please specify type and lo tion preferred.

UNITED FARM AGENCY
612-Y W. 47th
Kansas City, Mo. 64112

INTRACOASTAL WATERWA

Prime development acreage tot over 40 acres with 2600 feet front on intracoastal canal. Also adjo Congressman Jack Edwards Airp Paved highway across entire par and easy access to interstate syste Twenty (20) year terms. Contact W Ward or Stan Fountain for full deta

CENTURY 21
MEYER REAL ESTATE
P.O. Box 238
Gulf Shores, Alabama 36542
(205) 968-7516

POPULAR CLASSIFIED ADVERTISING NEWSPAPE

Locate good property fast, sell eas exchange quickly. First, only tot independent nationwide classified vertising paper, featuring town-co try real estate. Place ads 30¢ wo two months, $6 min. Special disp contracts now. Charter subscribe day $12 year first class mail o Don't miss our article on "the sn house," other pertinent, down-to ea topics.

TAPROOT™
Creston, California 93432

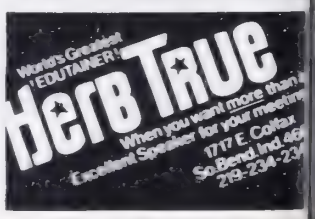
MANUFACTURERS' REPRESENTATIVES

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE

Manufacturers' Agents' Newsle tells you which firms are looking representatives, the firm's product and territories available.

For information write:
Manufacturers' Agents' Newslett
Dept. 178A, 23573 Prospect Aven
Farmington, Michigan 48024

MGM'T & SALES MEETIN



SINESS OPPORTUNITIES

DO YOU WANT THE
goodlife?
PROFESSIONAL
BUSINESS OPPORTUNITY
for men or women
0-60,000 yearly income potential

you like people and have you d success in dealing with peo- ? Are you looking for greater ancial rewards and security? cognition in your community? es owning your own business h a minimum of overhead and nagement and no production oblems interest you?

odlife Magazine is an exciting dern monthly publication free the community, featuring arti- s on health, happiness and me.

the co-publisher of Goodlife gazine in your area, your re- onsibility will be to sell adver- ing and to service accounts.

e Goodlife Publishing Corpora- n will handle all production. clusive territories now available. mediate full time required. Total estment $7,900. If qualified call jor at **703-371-7430, Goodlife blishing Corporation,** 708 West- od Office Park, Fredericksburg, 22401.

IDEO SALES AGENCY EXCLUSIVE AREA

ational Video Home Enter- nment Marketing Company eds professional marketing/ les individual or agency to anage & develop a protected ea. National consumer ad- rtising program has created emendous backlog of in- iries. If you're ready to sh in on the Video Boom th big commissions & can arantee your performance, ll today for details & inter- w.

Ir. Levine (800) 848-9107
In Ohio (800) 282-9216

IQUE BUSINESS OFFERING

n's newest and fastest growing ration in the Personal and Pro- nal Development Industry is se- ely seeking independent Distrib- to own and operate a Perform- Business. Our Systems offer n measurable results. Complete ng, in field assistance, and ex- t support materials, No Fran- Fee. Excellent income potential. or Write: **The Performance p, Inc.,** 2880 LBJ Freeway, Suite Dallas, Texas. (214) 241-0843.

WIN BIG OIL MONEY
PLUS TAX BENEFITS

OTHERS DO EVERY MONTH IN U S GOVERNMENT OIL LEASE DRAWINGS IF YOU ARE 21 AND A CITIZEN YOU CAN PARTICIPATE EQUALLY WITH MAJOR OIL COMPANIES IN THIS LEGAL LOTTERY A $25 TAX DEDUCTIBLE FILING FEE CAN RETURN UP TO $75 000 AND MORE IMMEDIATELY PLUS A POSSIBLE FORTUNE IN FUTURE INCOME WRITE DEPT FF FOR FREE INFORMATION

LLIGAN INC 600 MANHATTAN BOULDER CO 80303

BUSINESS OPPORTUNITIES

zip'z

ICE CREAM AND FROZEN YOGURT STORES

Become an independent business- person by joining our growing, nation-wide family of ZIP'Z "Make Your Own Sundae" Franchisees. ZIP'Z Ice Cream Stores feature Ice Cream, Frozen Yogurt, Diet Ice Cream Products, Ice Cream Cakes and Parties. FRANCHISE, LOCA- TION and TRAINING, $10,000 minimum cash investment. Act now to qualify for Spring openings!

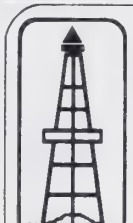
CALL TOLL FREE ANYTIME
1-800-821-7700, Ext. 323

ZIP'Z International, Inc.
4470 Monroe Street, Dept. FB
Toledo, Ohio 43613

INDUSTRIAL MANUFACTURING LICENSE

24 licenses now exist interna- tionally. We seek only qualified applicants who enjoy the allure of manufacturing. Virtually competition-free business secured by machinery, training and long term support. Investment of $137,500 with limited financing available. Company scrutiny is considerable and very much in depth. We are also seeking mas- ter licensees for foreign coun- tries.

Call or write, Mr. Faircloth
North American Carbide Corp.
2950 So. Umatilla
Englewood, CO 80110
1-800-525-9496



Equal Footing with the Oil Companies

Each month the U.S. Depart- ment of Interior awards leases for the gas and oil rights to parcels of public land . . . to qualified U.S. citizens twenty- one or older

Where are the richest par- cels? How can you win valu- able oil and gas rights?

Write or call:
Federal Petroleum Research, Inc., 1737 DeSales St. N.W., Suite 300, Washington, D.C. 20036 ● (202) 347-8461

FPR

Not affiliated with the U. S. Government

BUSINESS CONNECTIONS

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST

Top Finders Fees Paid
Finders Inquiry Invited
Write Box A153 Forbes
60 Fifth Avenue
New York, NY 10011

BUSINESS OPPORTUNITIES

BE PRESIDENT OF YOUR OWN COMPANY

★ **EARN BIG FEES** ★

Become an **AFFILIATE** of **RE- SOURCES UNLIMITED.** Prestige Profession! Handle million $ Ac- quisition and Merger projects. As- sociate with company Presidents. Supported by ethical National firm. Part/Full time. Good cre- dentials a must. Experience not required. Hi Income occupation! **$7,850 CASH REQUIRED.** If sin- cere, **CALL (214) 638-8280 ANY TIME** or **WRITE** today.

RESOURCES UNLIMITED COMPANY
1111 W. Mockingbird Ln., Ste. 737
Dallas, Texas 75247

YOU COULD BE A WINNER

For only a $25.00 tax-deductible entry fee, you could realize large profits from federal oil and gas lease-rights. Monthly drawings are conducted by the Bureau of Land Management offering op- portunity to all citizens. We urge you to take advantage of our in- dustry expertise.

For further information, call or write:
Western Region, Inc.
7515 Greenville Ave., Suite 404
Dallas, Texas 75231
214/750-6580

FREE SAMPLE IMPORT

START MAIL ORDER IMPORT BUSINESS

Get free sample import from Orient. Shows big money you can make spare/full time in home business. No invest- ment in stock. World famous mail order/world trade expert guides you. Clip ad. Good for one free sample import and big Free Report. Offer limited to adults. Mail ad today. **MELLINGER CO., 6100 Variel, Dept. P1591H, Woodland Hills, CA 91367.**

BUSINESS EQUIPMENT

CLOSE OUT
SELECTRA NEW SELF CORRECTING 13" $649
TYPEWRITERS FREE*
1-800 327 6374

MONEY TO LOAN

FINANCING

New Business Loans
Brokers protected

20th CENTURY FINANCE
Toll Free (800) 821-2658

EXECUTIVE GIFTS

An Alternative To The $21 Button Down Ours...$14.

100% COMBED COTTON OXFORD BUTTON DOWN

Finest traditional design and tailoring
Seven button front, placket sleeve, left breast pocket, double reinforced side seams and sleeves
Your satisfaction guaranteed
Blue or White Sizes 14 - 17 32-35

Huntington Clothiers

[illegible] BRIDEN RD [illegible] MB 15 [illegible] 14

Please send me 100% cotton shirt(s) @ $14.00 ea. Add $1.75 for ship. & Ins. regardless of quantity. Ohio Res. add 3.4% sales tax.

Size ____ Qty ____ White ____ Qty ____ Blue ____

Pers. Ck ____ Mstr. Chg ____ Visa ____ Am. Exp ____

Card No. ____

Exp. Date ____ Mstr. Chg. Bank No. ____

Signature ____

Name ____

Address ____

City ____

State ____ Zip ____

FC

INVESTMENT NEWSLETTER

$1

brings you the next four issues of our weekly market letter, WALL STREET NAVIGATOR, plus our new report, TECHNICAL ANALYSIS OF STOCK PRICE TRENDS. Start the New Year right by staying abreast of the mar- ket on a current basis with our mar- ket letter, and turn 1979 into a year of successful investing. At the same time, make day to day judgments on the stock market using the technical indicators contained in our special report. Only $1 brings you this use- ful and informative investment pack- age. It could be the best expenditure you will make all year. (Only one trial subscription per household, annually.) To obtain this timely offer, send this ad and $1.00 to:

STOCK MARKET APPRAISAL, INC.
P.O. Box 355, Stapleton Station
Staten Island, New York 10304

BUSINESS PRODUCTS AND SERVICES

WE PRODUCE PROFITABLE SALES

Thousands of highly qualified, paid rep members in all fields through- out U.S. & foreign countries. Details:

UNITED ASSOCIATION MANUFACTURERS' REPRESENTATIVES
Dept. 9; 808 Broadway
Kansas City, MO 64105

REACH THE AFFLUENT IN FORBES CLASSIFIED
One out of every 13 FORBES subscribers
★ ★ ★ ★ **is a millionaire** ★ ★ ★ ★

No one ever regarded the first of January with indifference. It is the nativity of our common Adam.
CHARLES LAMB

Philosophy triumphs easily over misfortunes past and to come, but present misfortunes triumph over philosophy
LA ROCHEFOUCAULD

We feel a kind of bittersweet pricking of malicious delight in contemplating the misfortunes of others.
MICHEL DE MONTAIGNE

So long as a man enjoys prosperity, he cares not whether he is beloved.
LUCAN

There is no dignity quite so impressive and no independence quite so important as living within your means.
CALVIN COOLIDGE

Never steal more than you actually need, for the possession of surplus money leads to extravagance, foppish attire, frivolous thought.
DALTON TRUMBO

Let us not complain against men because of their rudeness, their ingratitude, their injustice, their arrogance, their love of self, their forgetfulness of others. They are so made. Such is their nature.
JEAN DE LA BRUYÈRE

Never say you know a man until you have divided an inheritance with him.
JOHN LAVATER

I love my enemies for two reasons: They inspire me to recognize my weakness. They also inspire me to perfect my imperfect nature.
SRI CHINMOY

Thoughts on the Business of Life

*Since we had nothing to do with our Arrival and usually are not consulted on our Departure, what makes so many of us think we're entitled to so much while we're here?**
MALCOLM FORBES

If you cannot take a bird of paradise, better take a wet hen.
NIKITA KHRUSHCHEV

A son can bear with equanimity the loss of his father, but the loss of his inheritance may drive him to despair.
NICCOLÒ MACHIAVELLI

Adversity makes men; prosperity monsters.
FRENCH PROVERB

Security is mostly a superstition. It does not exist in nature, nor do the children of men as a whole experience it.
HELEN KELLER

Modesty is of no use to a beggar.
HOMER

To feel themselves in the presence of true greatness, many men find it necessary only to be alone.
TOM MASSON

*The Sayings of Chairman Malcolm, *a collection of over 500 thoughts embodying the wit and wisdom of Malcolm Forbes. Now available at $5.95. Send check and order to Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.*

There is no sadder sight than a young pessimist.
MARK TWAIN

If money is your only hope for independence, you will never have it. The only real security in this world is a reserve of knowledge, experience and ability.
HENRY FORD

The love for money is only one among many.
ALFRED MARSHALL

Money is like a sixth sense —and you can't make use of the other five without it.
SOMERSET MAUGHAM

Modesty is an ornament, but you go further without it.
GERMAN PROVERB

A Text . . .

Wherefore is there a price in the hand of a fool to get wisdom, seeing he hath no heart to it?
PROVERBS 17:16

Sent in by Florence A. Hnatko, Los Angeles, Calif. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

The future arrives before we expect it, but is seldom what we expect.
ARNOLD GLASOW

I go to seek a great perhaps.
FRANÇOIS RABELAIS

When we are born we cry that we are come to this great stage of fools.
SHAKESPEARE

BES 31st ANNUAL REPORT AMERICAN INDUSTRY

e additional information from the advertisers below, please fill in and mail one of the adjacent service cards. Forbes will forward your re- to each company indicated.

ur guidance, advertisers designated with a ll honor only those requests which include ny names and job titles.

ES will process all requests received prior 30, 1979.

uct/Service Information

. Alexander & Alexander Inc.
. All-Steel Inc.
. Allendale Insurance
. American Enterprise Institute Associates Program
. American International Group
. Boeing Computer Services, Inc.
. Butler Mfg. Co.
. Chicago Mercantile Exchange
. Coca-Cola Company
. Computer Capital Corporation
. Control Data Corporation
. Crane Co.
. Digital Equipment Corporation
. Eastman Kodak Company Customer Equipment Services Division
. Eastman Kodak Company Motion Picture Audio Visual
. Fidelity Daily Income Trust
. Fidelity High Yield Municipals
. GC Services Corp.
. Grow Chemical Corporation
. INA Corporation
. IU International
. Industrial National Corporation
. Ingersoll-Rand Company
. International Paper
. Kanaly Trust Company
. Walter Kidde & Company, Inc.
. MAI Management Assistance Inc.
. PBI Management, Inc.
. Panasonic Omnivision II (VHS)
. Philips Business Systems, Inc.
. RCA Corporation
. Republic Steel Corporation
. Reynolds Metals Company
. Santa Fe Industries, Inc.
. Saxon Industries, Inc.
. Thrifty Rent-A-Car System, Inc.
. U.S. Postal Service
. Wang Laboratories
. Del E. Webb Development Co.
. Western Temporary Services, Inc.
. Max Wilson, Inc.
. Xerox Corporation—ISG Division
. Young Radiator Company

Area Development

44. The Arvida Park of Commerce
45. Fairfax County Economic Development Authority
46. Florida Department of Commerce Division of Economic Development
47. Georgia Department of Industry & Trade
★48. Metro Phoenix Chamber of Commerce
★49. Miami Lakes Properties, Inc.
50. North Carolina Department of Commerce Industrial Development Division
★51. North Texas Commission
★52. Oklahoma Industrial Development Department
★53. St. Louis-San Francisco Railway Co.
54. South Carolina State Development Board
55. Tennessee Industrial Development Division

Annual Reports

56. Alexander & Alexander Inc.
57. American Medical International, Inc.
★58. The Continental Corporation
★59. Dana Corporation
60. John Deere
61. Digital Equipment Corporation
62. Entex, Inc.
63. Great Northern Nekoosa Corporation
64. Houston Natural Gas Corporation
65. Industrial National Corporation
66. Ingersoll-Rand Company
67. Keene Corporation
68. Walter Kidde & Company, Inc.
69. MAI Management Assistance Inc.
70. Mapco Inc.
71. NICOR Inc.
72. Pullman Incorporated
★73. Republic Steel Corporation
★74. Rockwell International
★75. The Signal Companies
76. United Energy Resources
★77. Westinghouse Electric Corporation

a

The advertisers listed on the left will make additional information available to Forbes readers free as noted in their advertisements in this issue. Circle below the corresponding number of each company you wish to know more about.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80

Type or print clearly your name and address. Please allow enough time for processing your requests.

Name _____

***Title** _____

***Company** _____

Address _____

City _____ **State** _____ **Zip** _____

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY CARD
FIRST CLASS PERMIT NO. 131 N.Y., N.Y.

POSTAGE WILL BE PAID BY ADDRESSEE

FORBES 31st Annual Report on American Industry
60 Fifth Avenue
New York, N.Y. 10011

BUSINESS REPLY CARD

FIRST CLASS PERMIT NO. 131 N.Y., N.Y.

POSTAGE WILL BE PAID BY ADDRESSEE

FORBES 31st Annual Report on American Industry

60 Fifth Avenue

New York, N.Y. 10011

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

A79

The advertisers listed on the right will make additional information available to Forbes readers free as noted in their advertisements in this issue. Circle below the corresponding number of each company you wish to know more about.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80

Type or print clearly your name and address. Please allow enough time for processing your requests.

Name _____

***Title** _____

***Company** _____

Address _____

FORBES 31st ANNUAL REPO ON AMERICAN INDUSTRY

For free additional information from the advertise listed below, please fill in and mail one of the adja reader service cards. Forbes will forward your re- quests to each company indicated.

★ For your guidance, advertisers designated with a star will honor only those requests which include company names and job titles.

FORBES will process all requests received prior to April 30, 1979.

Product/Service Information

1. Alexander & Alexander Inc.
★ 2. All-Steel Inc.
3. Allendale Insurance
4. American Enterprise Institute Associates Program
5. American International Group
6. Boeing Computer Services, Inc.
★ 7. Butler Mfg. Co.
8. Chicago Mercantile Exchange
9. Coca-Cola Company
★10. Computer Capital Corporation
11. Control Data Corporation
12. Crane Co.
13. Digital Equipment Corporation
14. Eastman Kodak Company Customer Equipment Services Division
15. Eastman Kodak Company Motion Picture Audio Visual
16. Fidelity Daily Income Trust
17. Fidelity High Yield Municipals
★18. GC Services Corp.
19. Grow Chemical Corporation
20. INA Corporation
21. IU International
22. Industrial National Corporation
23. Ingersoll-Rand Company
★24 International Paper
25. Kanaly Trust Company
26. Walter Kidde & Company, Inc.
27. MAI Management Assistance Inc.
28. PBI Management, Inc.
29. Panasonic Omnivision II (VHS)
★30. Philips Business Systems, Inc.
31. RCA Corporation
★32. Republic Steel Corporation
33. Reynolds Metals Company
34. Santa Fe Industries, Inc.
35. Saxon Industries, Inc.
36. Thrifty Rent-A-Car System, Inc.
37. U.S. Postal Service
38. Wang Laboratories
39. Del E. Webb Development Co.
40. Western Temporary Services, Inc.
41 Max Wilson, Inc.
42. Xerox Corporation—ISG Division
43. Young Radiator Company

Area Development

44. The Arvida Park of Commer
45. Fairfax County Economic Development Authority
46. Florida Department of Commerce Division of Economic Development
47. Georgia Department of Industry & Trade
★48. Metro Phoenix Chamber of Commerce
★49. Miami Lakes Properties, Inc.
50. North Carolina Department of Commerce Industrial Development Division
★51. North Texas Commission
★52. Oklahoma Industrial Development Department
★53. St. Louis-San Francisco Railway Co.
54. South Carolina State Development Board
55. Tennessee Industrial Development Division

Annual Reports

56. Alexander & Alexander Inc.
57. American Medical International, Inc.
★58. The Continental Corporatio
★59. Dana Corporation
60. John Deere
61. Digital Equipment Corporation
62. Entex, Inc.
63. Great Northern Nekoosa Corporation
64. Houston Natural Gas Corporation
65. Industrial National Corporation
66. Ingersoll-Rand Company
67. Keene Corporation
68. Walter Kidde & Company, Inc.
69. MAI Management Assistan Inc.
70. Mapco Inc.
71. NICOR Inc.
72. Pullman Incorporated
★73. Republic Steel Corporation
★74. Rockwell International
★75. The Signal Companies
76. United Energy Resources
★77. Westinghouse Electric Corporation

ral Dynamics F-16,
ed by the
& Whitney Aircraft
engine.

SCOTT USA ski equipment is at home, literally, here in Sun Valley, Idaho—site of company headquarters.

Citibank, N.A. Member FDI

Scott USA equipment helps skiers maintain a healthy sense of balance. Worldwide Citibank helps Scott USA do the same.

Twenty years ago, this Citibank customer introduced the tapered aluminum ski pole. Today Scott poles, featuring a unique, contoured pistol grip, help skiers stay vertical on slopes around the world.

Scott's high-performance ski boots and thermal lens goggles also play a part in the company's steady growth. So do Scott ski accessories, from gloves and hats to socks and shirts. And so does Citibank—by helping Scott balance its special, seasonal financing needs.

To do this, Citibank structured a flexible, asset-based financing package that uses Scott's receivables and inventory. As Scott's sales grow and its assets increase, so, proportionately, does the dollar amount available to the company under this financing arrangement. At the same time, cash avai ability is matched with Scott's specific seasonal nee

Our bankers who work closely and knowledgeably with Scott have also arranged the leasing of computers and production equipment. They provide facilities for the collection of overseas payments, and letters of credit covering ski accessories import from the Far East.

This association with companies like Scott demonstrates conviction shared by Citibanker everywhere: that supporting th development of sound growth companies is an area of enterprise to which this bank is and will remain committed.

SCOTT USA President Jim Tobin (center) discusses product modifications with bankers Jim Hawkanson—Seattle (left) and Dave Jones—San Francisco.

CITIBANK

A subsidiary of Citicorp

NOV 22,1979

ONE DOLLAR FIFTY CENTS

Forbes

MEXICAN OIL
UNCLE SAM'S 'MAÑANA' PROBLEM

21573353 APJ NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

0 74820 08317 04

Today's Chase

"Everyone talks global network. Our bank has it."

"Network capability is the key to international banking."

"We can provide local currency financing for multinational corporations almost anywhere. As well as in-depth knowledge about the more than 100 countries where we have a physical presence."

"A bank as big as Chase, with an operation as extensive as ours, is a major force in world money markets. We have the money... the local and Eurocurrencies... that our customers need."

"The more intricate international finance gets, the more complicated corporate banking becomes. And at Chase today, a single individual — your Relationship Manager — coordinates your needs worldwide. Both credit and non-credit."

The Chase Bank. A worldwide network of branches and affiliates providing vast sums of money and essential banking services for clients in over 100 countries. What we offer is yours through your Chase Relationship Manager. Call on today's Chase Bankers today.

CHASE

L. Stankard
e Vice President
tional Department

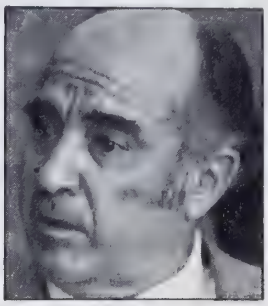
© CHASE MANHATTAN BANK, N.A. 1977/ MEMBER FDIC

Forbes

January 22, 1979
Volume 123, Number 2

Tax Shelters: Eight years ago Hugh Pike was broke. Today he's a millionaire—thanks to the public mania for beating the tax collector and the entity Pike derisively refers to as "Uncle Sugar." **34**

Liquor: Want to see how socialism works? Thanks to such unlikely allies as the Rockefellers, a large part of the liquor industry has been "nationalized" for nearly 50 years. **42**



Cover Story: The U.S. almost made a blunder of historic dimensions by trying to beat down the price of Mexican natural gas. President Carter is going to Mexico next month to try to redeem it. **29**

Companies: The heart pacemaker business is almost classically research-intensive—as Medtronic Inc., once four times bigger than its nearest competitor, has painfully learned. **62**

Companies: Since Da Foster took over, Colga Palmolive Co. has made quisitions with $1.5 billi in sales—and is having tr ble digesting them. **66**

Features

The Courts: *A Litigation Free-For-All?* Teddy Kennedy wants to override the Supreme Court's "Illinois Brick" decision. If he succeeds, it will change the grounds on which business can be sued on restraint of trade—and probably lead to another bonanza for the lawyers. **33**

Companies: *Those Friendly Indians.* Why Sam Casey isn't worried about a takeover of his Great Northern Nekoosa Corp. **40**

Football: *Notre Dame's Money Machine.* No matter the score, the Fighting Irish always win on the earnings side. ..**44**

Musical Instruments: *Sour Notes In An Old Song.* While old-fashioned instruments decline, modern electronics takes over more and more of the musicmaking industry. But the trouble with being in the electronics business is that you're in—well, the electronics business. **46**

The Soviet Union: *"I Have No Authority."* You hear that a lot in the U.S.S.R.—one reason why expanded trade with the U.S. is easier to talk about than to accomplish. **48**

Companies: *What Bob Kirby Has Wrought.* Westinghouse Electric Corp. is building a strong, surprisingly lightly leveraged company outside nuclear energy. Whatever happens with its uranium problems won't sink the company. ..**53**

Companies: *A Tiger By The Tail.* Canada's Noranda Mines is sitting on natural gas deposits so rich it's straining to the limit of its resources to develop them. **58**

Companies: *After The Rabbit.* Volkswagen is booming again, but difficult decisions lie ahead. **64**

As I See It: *Missionary In Babylon.* An articulate Tory says Britain *can* climb out of the morass. **72**

Companies: *How Shell Caught Up.* For years, it was the weak sister of the Seven Sisters. But its rivals' bad luck has been Shell's good fortune, and in the four years since 1974, it has been leading the pack in profitability. **75**

Automobiles: *Something A Little Smaller.* With every fiber of its being, Detroit yearns to sell big cars. But government rules are forcing change, not only in its technology, but in its marketing. **80**

Statistical Spotlight: *Yankee Bonds.* An attractive deal for many Americans, foreign debt issues floated on the U. capital markets have enjoyed a spurt of popularity. .....

The Funds: *Games Mutual Fundsmen Play.* Fighting the doldrums, mutual funds have come up with some ingeniou little gimmicks—like legal check-kiting, life and health insurance and playing the market. **1**

Faces Behind The Figures

Robert P. Bryant (Dobbs Houses)
Gene M. Woodfin (Marathon Manufacturing) .....
Takatoshi Yoshikawa (Takara Belmont)
Barry Munitz (University of Houston) .....

Money And Investments

The Economy: *Riding Off In All Directions.* Listen to *all* the forecasters and you'll come away thoroughly confused. But lo at a couple of straws in the wind—consumer and mortgage debt, for example, which has increased $139 billion in one year and is now at nearly $1 trillion. .....

Columnists

Ben Weberman **88**
Heinz H. Biel **90**
John Train **92**
Stanley W. Angrist .....
James H. Farrell Jr. .....
Thomas P. Murphy **1**

Departments

Side Lines **6**
Trends **8**
Follow-Through **10**
Readers Say **14**
Fact and Comment .....
Other Comments .....
Editorial Index **1**
Thoughts **1**

Credits: **Photos**—pp. 8, 44, Wide World; p. 23, Jerri Rado; p. 29, Karin Lismara/Sygma; 30, 31, Steve Northup; p. 32, Excelsior; p. 33, UPI; pp. 34, 35, Dick Lowry; p. 40, Ge Cardozo; p. 42 top, Tom Jones; p. 43 top, Robert Hamor; p. 43 bottom, The Gra Collection; p. 54, Leonard Schugar/Black Star; p. 58, Don Newlands/Black Star; p. 62, Sweeney; p. 66, Michael Evans/Liaison; p. 75, John Moss/Black Star; p. 78, John Ch McCurdy; pp. 82 top, 85 bottom, Bill Kelly; p. 82 bottom, Brian McGlynn; p. 85 top, J Grossman; **Drawings**—p. 48, Chas. B. Slackman; p. 64, Doris Ettlinger; p. 102, D Meyers; **Charts**—pp. 59, 76, 80, Andrew Christie/Matrix Design.

Design Consultant: Peter Palazzo **Cover Illustration:** Robert Grossm

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, 10011. Second-class postage paid at New York, N.Y. and at additional mailing off Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth A New York, N.Y., 10011. Copyright © 1979 Forbes Inc.

Why the long run St. Joe investor led 98% of the field in the FORTUNE 500 ten year marathon

J-925

*Includes both price appreciation and dividend yields.

St. Joe topped 490 of FORTUNE's 500 with a total return* to investors of 17.7% over the 1967-77 decade.

Why? It's partly because of the basic underlying strength of a natural resources company. The mining and crude oil production industry median of 6.85% in total return to investors for 1967-77 was second highest among all industries.

The other major factor is our continuing program of diversification, exploration and technological development. This has given St. Joe a new direction over the past ten years, changing it from a specialist in lead and zinc to a broadly based source of energy fuels and minerals.

As late as 1972 less than 40% of our operating profit came from energy-related business. Through coal, oil, gas and lead for batteries our operating profits more than doubled by 1978 and over 75% came from energy sources.

To help keep the long-run St. Joe investors up front in the next ten year marathon, we have planned a 1978-81 capital investment program of over $655 million.

For more insight into our future, write to Dept. 4 for our annual report.

ST. JOE
MINERALS CORPORATION
250 Park Avenue
New York, New York 10017

A BASIC SOURCE

VISA
MasterCharge

Now: Two ways to bail out the kids.

Beginning this month, VISA® joins Western Union's emergency Money Order service.

Which means you now have two easy ways to send money when it's needed fast.

All you need is VISA or Master Charge and a telephone.

With Western Union's Charge Card Money Order service, you can send a Money Order anytime. Up to $300. And charge it to your VISA or Master Charge®.

Simply call Western Union's toll-free number, 800-325-6000, day or night (In Missouri, 800-342-6700.) The Money Order is cashed to one of our 8,100 offices or agencies, located throughout the country except Alaska and Hawaii. It usually can be picked up within two hours, when the selected location is open for business. (Some are open around the clock.)

The Money Order amount and our charge will appear on your VISA or Master Charge statement. Simple as that.

You can send regular Money Orders, too.

If you don't have a VISA or Master Charge card, we still can help. Just take cash—any amount—to a Western Union office or agency. And we'll send a regular Money Order.

That's not all. Our Commercial Money Order service offers an instant credit line to businesses once they qualify. Up to $5,000. No charge to open or maintain the account.

Your Money Order can be picked up at one of our 8,100 offices or agencies, located throughout the country except Alaska and Hawaii.

And if you're a Telex or TWX® subscriber, you can send Money Orders directly from your terminal.

Send for your free emergency money wallet card.

For more information about our Charge Card Money Order service, and for a free wallet card that explains how to use it, complete the coupon.

FB

Boyd Humphrey, Western Union Corporation
One Lake Street, Upper Saddle River, N.J. 07458

☐ Send me a free Emergency Money Wallet Card describing how to use your Charge Card Money Order service.

☐ Send me more information on Western Union's Commercial Money Order service.

Name _____

Address _____

City & State _____ Zip _____

western union

WESTERN UNION CORPORATION 1979.

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine, West Coast and Pacific
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway Stanley H. Brown, Malcolm S. Forbes Jr.
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver, Steven Markman
Washington Bureau: Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager; Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Timothy J.Newcomb, Assistant Directors; Nikki Frost, Cheryl Wiesenfeld, Photo Researchers
Columnists: Heinz H. Biel, Lucien O. Hooper, Thomas P. Murphy, Stanley W. Angrist
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Lataniotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher C. Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Mgr.; Arnold J. Prives, Fin. Adv. Mgr.; George C. Clissold, Donald W. MacDonald, G. Croft Henry, Charles S.Thorn Jr., John A. Wilson; Richard Calkins, Dir. of International Adv.; James W. LaCignola, H. Duncan McMillan, Dir., Spec. Proj.; Thomas G. Petersen Jr.
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Mgr.
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Mgr.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Mgr.
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Mgr.; William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Mgr.
San Francisco: 625 Market St., 94105, John B. Cunningham, Mgr
Classified: Sarah Madison 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-675-7500

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

"It's not *my* job"

The fear of making even small decisions that FORBES Economics Editor Ben Weberman found so pervasive in the U.S.S.R. *("I have no authority,"* seems to extend to Soviet officials based in the U.S.—as Reporter researcher William B. Harris discovered while checking Weberman's story. Soviet representatives in Washington and New York. Reports Harris:

"When I called the press office at the Soviet Embassy in Washington, no one picked up the phone and announced 'There's no one here now. Call back.' 'hello,' no salutation, nothing. Called back proved futile because no one picked up at all. When I called the main embassy number to report the difficulty, I was referred to the press office.

"Next, a telephone call to the Soviet mission to the U.N., where they advised the phone by repeating the digits of the number you've just dialed—no hello, nothing. A woman in the press office there said it was not within her 'competence' to answer any questions other than those dealing with the U.N. itself."

It was as if the Soviets were determined to underline the point Weberman makes in his article: that business dealing with the Soviet Union are plagued by seemingly interminable bureaucratic hassles.

Economics Editor Weberman
Who decides to replace the lights?

Owlish editor

Last month, U.S. Steel announced the two winners of its annual Wise Old Owl Award, given to those who make the most accurate predictions about the performance of the economy each year. Runner-up for 1978: Senior Editor Malcolm S. (Steve) Forbes Jr., who is the only person in the 40-year history of the competition to have won first place twice—in 1975 and 1976.

Steve was near the mark in his 1978 predictions for the GNP, inflation, prime interest and unemployment rates, auto production and the price of gold. Alas, he was off on his prediction that the Dow Jones industrial average would hit 1000 in 1978—it never got over 908 and ended the year just over 800. Says Steve: "Stocks were such bargains that I thought the fundamentals were bound to be better reflected during the course of the year." However, he's still convinced stocks will have their day. He's again predicting a 1000 Dow for 1979. As for inflation, he says, it will be down to a 6% annual rate by year's end. ■

Prognosticator Forbes
Don't give up on the Dow.

The new Saxon 302 Plain Paper Copier.

Engineered for people who run copiers.

Priced for people who run companies.

Our new Saxon 302 copier makes life easy for the machine operator. Fact is, it runs so smoothly, so reliably, and is so easy to keep in shape, we call it "The Great American Runner." But for all its features, the Saxon 302 has a very reasonable price.

We think the people who pay the bills deserve a better break, too.

Here's the way it works:

Dual cassette automation. Just click in our dual cassettes. New automation lets you change paper size with a touch of the control panel. And our extra paper capacity (600 sheets) lets you run longer without reloading.

Press-tone control. We have gone well beyond pushbuttons.

stead simpler, more reliable pressure sensitive ess-tone controls complete with digital readout.

lf-diagnostic center. To reduce downtime—self-diagnostic center that monitors all machine nctions. For consistently sharp, clear copies—new automatic toner system. For reliability—microprocessor solid-state brain. Plus new ergy saving features. And more.

n economical American. The Saxon 302 made in America. Backed by a nationwide service stem. There's a lot of competition out there. And axon is meeting it head-on by offering you more rformance at a lower purchase or rental price. nd out more about our Saxon 302 today. You'll love e way it runs. And the price it runs you.

F-1

For Saxon 302 information mail coupon or call toll-free

(800)824-7888

Ask for operator 4C.

In Cal. (800) 852-7777. Ask for operator 4C. In Hawaii or Alaska (800) 824-7919. Ask for operator 4C.

Saxon Business Products, Inc
13900 N.W. 57th Court
Miami Lakes, Florida 33014

☐ Let's arrange a demonstration
☐ Just send me more information.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Saxon is a registered trademark of Saxon Industries, Inc © 1979

saxon

The Great American Runner.

The fringe on top

The White House decision to exclude some major fringe benefits from its wage guidelines will mean even louder sighs of relief than might have been thought. During the past 20 years, fringes have grown from less than one-quarter of payroll expenses to 37%. That is the salient finding of a new survey by the U.S. Chamber of Commerce, covering 748 companies. Biggest spenders on fringes are the chemical and primary metals industries, which both top 43%.

Climate on Capitol Hill

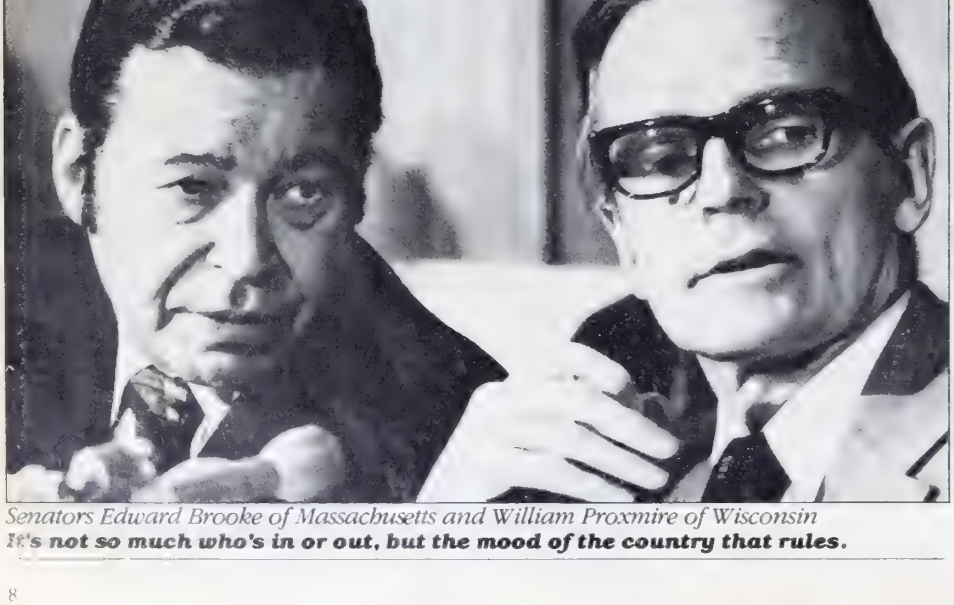
How will business, which fared as well in the 95th Congress as labor did poorly, do on Capitol Hill with the 96th? The new board chairman of the National Association of Manufacturers, Herbert E. Markley (president of Timken Co.), is "delighted" with what he sees as a growing pro-business trend. NAM Executive Vice President Forrest I. Rettgers shares that optimism and claims the November elections gave business new allies. "We were heartened by the entire thing," he says, citing the defeat of liberal Iowa Democratic Senator Dick C. Clark as a major business victory, and saying that Illinois GOP Senator Charles H. Percy had promised a more pro-business stand in exchange for desperately needed, last-minute support in the 1978 voting. (Percy supported the unsuccessful labor-sponsored general picketing and union-organizing bills.)

The NAM's high hopes are based on mood, political arithmetic—and some wishful thinking. The GOP did gain 3 Senate seats and now holds 41, enough to sustain a filibuster. They also added 12 seats in the House, but neither advance puts a real dent in the Democrats' solid majorities. More comfort can be found in shifts in committee membership. On the two tax-writing bodies, for example, the Senate Finance Committee lost two liberal Democrats, Maine's William D. Hathaway and Colorado's Floyd K. Haskell. On the House Ways & Means Committee, consumer activist Martha Keys of Kansas is gone. Senator Edward W. Brooke of Massachusetts, generally rated a liberal, is out, and the ranking GOP member on the Senate Banking Committee is now Utah's conservative Edwin J. Garn. Businessmen also can hardly lose with the departure from the House Commerce Committee of California's John Moss, whom Ralph Nader termed "the best member of the House."

This kind of political handicapping, however, can be misleading. Clark's defeat in Iowa, for instance, is credited more to antiabortion groups than to business. The many new faces on the Senate Banking Committee really mean that Wisconsin's William Proxmire, its Democratic chairman, will run the show all the more firmly.

Some changes do mean a new climate, not necessarily friendly. The retirement of Mississippi's James O. Eastland gives the chair of the Senate Judiciary Committee to Edward M. Kennedy, an antitrust zealot (and, ready or not, a strong presidential contender). Kennedy's antitrust subcommittee, in turn, goes to Ohio's Howard M. Metzenbaum, a loud critic of the oil companies.

Overall, business probably will fare well with the new Congress, n much because of changes in me ship, but because of the mood country. Veteran Washington lobb who make their living reading moo the Hill, think that is the reason bus did so well last year. The fall of the the flare of tax revolt, the gnawing cern about the economy, all help strengthen the argument of busines that they needed help, not hindr from Washington.



Senators Edward Brooke of Massachusetts and William Proxmire of Wisconsin
It's not so much who's in or out, but the mood of the country that rules.

The "never-nesters"

Real estate men now see some of liveliest prospects among what the the "never-nesters." This is their for married couples that either pos having children or decide never to any. Usually, both partners are wo full time, with one a professional. N nesters, the home-sellers say, buy to take advantage of the tax breaks hedge against inflation. Such custo want quality and a minimum of ma nance, a combination that opens door to selling extras in a home.

Private *vs.* public

Which are more profitable, privately or publicly owned companies? De the difficulty of collecting data in private sector, two professors at the versity of Southern California have led the question. Private ownership hands down. The private comp they analyzed earned almost three t more per sales dollar than their s holder-owned counterparts. Mark Professors Roger A. Strang and Ro Herberger found that in 1975 (the they studied), net income for the pr firms was 9.3% of sales and for p companies, 3.8%. That year, they mate, the U.S. had 2 million pr companies (*vs.* 10,000 publicly dominating construction, agricul forestry, general service business an tail sales. Privately owned manufact had sales estimated at $428 billion assets of $328 billion. The tab fo U.S.C. study was picked up by Reli Steel & Aluminum Co., a Los An metals distributor with sales of than $150 million—and privately he

Cry for help

Big-city banks are intensifying thei forts to combat a long-standing but w ening industry problem—the shorta qualified clerical help. In New Y Manufacturers Hanover is using carc in subways and buses promising free lege education and medical care, plu

ır where you live," to attract tell-
erks, typists and other low-level
al help. Chemical isn't advertising
ıs turned loose its local branch
ers to recruit in their neighbor-
Security Pacific of Los Angeles,
50 branches in Southern Califor-
taking its shortages and high turn-
oically ("the way of banking life,"
esman says). To keep its clerical
nger, it is using a thrift plan, skills
ories, cash incentives, bonuses for
referrals, a mobile recruiting van,
eavy stress on promotion from
Chicago's Continental Bank is
g to live with lower standards. A
ars ago, for example, Continental
d that secretaries have 60 to 70
per-minute typing skills. Now it is
ng 30 words per minute and offer-
ployees special classes (including
n personal grooming or what the
lls "glamour"). Part of the blame
shortage of acceptable banking
s is laid on the deterioration of
high school education. Another
ctor is wages—neophyte tellers
rks get about $125 a week.

Room at the top

Korea's President Park Chung Hee
s in direct action. His country's
ıy has been booming along but he
t pleased with the inflation rate,
an at 15% last year. That was too
ıd he told his economic staff to
t down. They didn't and Park
ly fired the heads of his Finance
y, his Construction Ministry, his
ture and Fisheries Ministry and
f of his Economic Planning Board,
o served *ex officio* as Deputy Prime
r.

gling the guidelines

nite House will have a problem
g wage guidelines to state legisla-
me get straight salaries, others a
ount for each day they sit. Some
ay a fixed amount for expenses,
only for expenses incurred. The
ange is another tangle. The Coun-
ate Governments says that 1979
cluding fixed expenses) will run
00 a year in New Hampshire (the
egislature, with 424 members) to
an $33,000 in California.

Downhill at 70

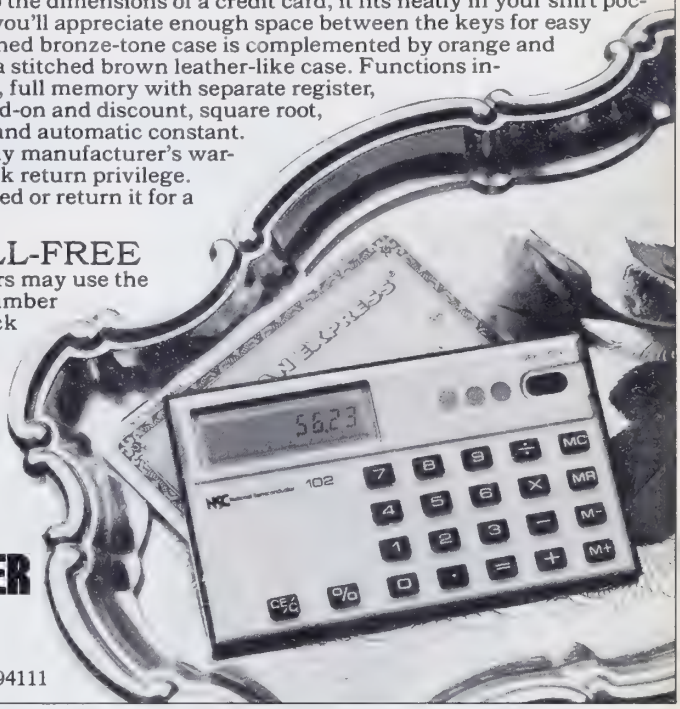
nagement of the ski resort of
Vt. has a special gift for snow
is year—free runs on its slopes.
ch? Only skiers 70 years old and
ıy apply. Stowe's chairman, Sepp
a former Austrian ski champion,
70 last November and the offer is
fellow septuagenarians. ■

Wafer-Thin Elegance

You've come a long way, and so have calculators. You've seen thick ones and thin ones, red ones and green ones. The latest and best ones have the new LCD display, which shows the numerals in large black digits—visible even in bright sunlight.

The National Semiconductor is our personal choice as the one you'd most like to own. It consumes so little power that its 2 batteries last up to 5 years—even if you never turn it off! As thin as 2 quarters, it's the ideal traveler and constant companion. Sized to the dimensions of a credit card, it fits neatly in your shirt pocket or billfold. And you'll appreciate enough space between the keys for easy operation. The brushed bronze-tone case is complemented by orange and brown accents and a stitched brown leather-like case. Functions include 8-digit display, full memory with separate register, percent key with add-on and discount, square root, chain calculations, and automatic constant.

Comes with 90-day manufacturer's warranty and our 2-week return privilege. You must be delighted or return it for a full refund.



ORDER TOLL-FREE

Credit card holders may use the toll-free ordering number below. Or send check for $29.95 plus $1.50 delivery (add $1.80 tax in California).

Ask for Op. 25S

(800) 824-7888

In California, (800) 852-7777.

Alaska & Hawaii (800) 824-7919.

THE SHARPER IMAGE

260 California St., San Francisco, CA 94111

This announcement appears only as a matter of record.

$9,000,000

The Lionel Corporation

Notes due 1993

Private placement of these Notes has been arranged by the undersigned.

NEW COURT SECURITIES CORPORATION

December 14, 1978

Follow-Through

The Anaconda caper

Atlantic Richfield, FORBES reported six weeks ago *(Dec. 11, 1978)* got more than it bargained for in acquiring Anaconda Co. Along with $1.5 billion in mining and metals sales, Arco also had unwittingly guaranteed millions in shaky and probably uncollectible bank loans. At first, Arco said cryptically that Anaconda's former treasurer had engaged in "significant wrongdoing." Later it revealed that ex-treasurer Charles H. Kraft had been fired and arrested.

On its own, FORBES learned that Kraft had been okaying loans to non-Anaconda companies for half a dozen years and that most of the $19.5 million still outstanding had been to a New York-based firm, Robin International, headed by 73-year-old promoter Nicolas Reisini. How had Kraft managed it? Bankers Trust, on the hook for $11.2 million, had accepted the fact that an "Anaconda official was authorizing the loans." Arco general counsel F. X. McCormack noted that Kraft could short-circuit auditors because, as treasurer, he supplied the list of main banks and simply left off those involved in his extracurricular affairs.

As the year ended, the story was confirmed in detail in federal district court in New York. Kraft pleaded guilty to charges that he had "fraudulently induced" the banks to lend to Reisini and to West Coast real estate promoter James Fallon, described in the charges as Reisini's "close confidant." Eight counts, including conspiracy and fraud, were filed against Reisini and Fallon, charges that could mean 28 years in prison and fines of $42,000. Kraft, whose return for all those millions was a little cash, promises of more, some art, and a $13,000 car, faces 15 years and a $12,000 fine.

As for Arco, counsel McCormack says it denies any liability for Kraft's "purported guarantees" and that insurance will cover any liability that might be found.

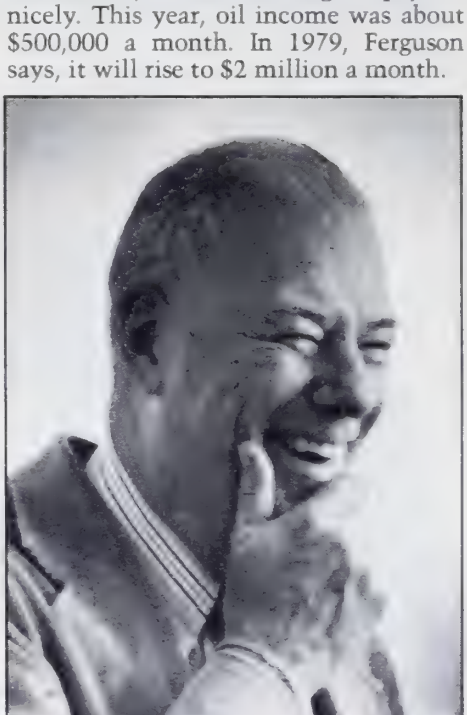
The daring dowager

"What's a nice old dowager from Milwaukee doing in high-risk, high-pressure investments?" FORBES asked two years ago *(Feb. 15, 1977)*. The dowager in question was the multibillion-dollar Northwestern Mutual Life Insurance Co., a 121-year-old firm that had picked up its skirts and skipped into things like offshore oil, Arizona farm land, shopping centers, apartment houses and solar energy because its $250,000-a-year president, Francis E. (Fergie) Ferguson, wanted his policyholders to get the best, not necessarily the safest, deals.

Ferguson's philosophy continues to pay off. In 1977, Northwestern's assets were $8.5 billion. Today they have topped $9 billion and the company ranks ninth among all life companies (it sells only individual life and disability insurance), sixth among mutual life firms. In November, it announced its 20th dividend increase in 27 years and will pay out a record $412 million in 1979, $46 million more than in 1978. The company also managed a before-tax return on its total portfolio of more than 7% for the first time in its history.

Return on assets, of course, is not just a matter of pride for life insurance companies. It is a matter of life and death. Northwestern has one especially serious problem—more than a fifth of its investments are in loans to customers, at rates determined not by the money markets but by state laws. Ferguson has led the charge in a campaign to get states to allow higher rates. Two years ago, this effort had prevailed in 35 states; today, 45 and the District of Columbia allow the 8% Ferguson and other insurers want. (New York, a key state, allows the increase on new but not old loans.)

The bulk of Northwestern's money is still in the tradition of the industry—bonds, mortgages, common and preferred stocks—but its oil and gas exploration, perhaps its most radical departure from convention, is also starting to pay off nicely. This year, oil income was about $500,000 a month. In 1979, Ferguson says, it will rise to $2 million a month.



Northwestern's Francis E. Ferguson
A bold helmsman needs a tight ship.

Not everything Ferguson touches to gold. In the early 1970s, for exa his investment scouts thought an e tional "merchandise mart" was what downtown Chicago needed would bring a 20% to 30% return education market turned sour, a early 1977 Northwestern was stuck a 30-story, $40 million building tha only 30% occupied, and Ferguso trimmed his goal to a 7% return. P tence paid off, and by the end of 197 building was 95% leased. (Luck hel high-ceilinged auditorium designed education in mind became the hom Chicago racquet ball club.)

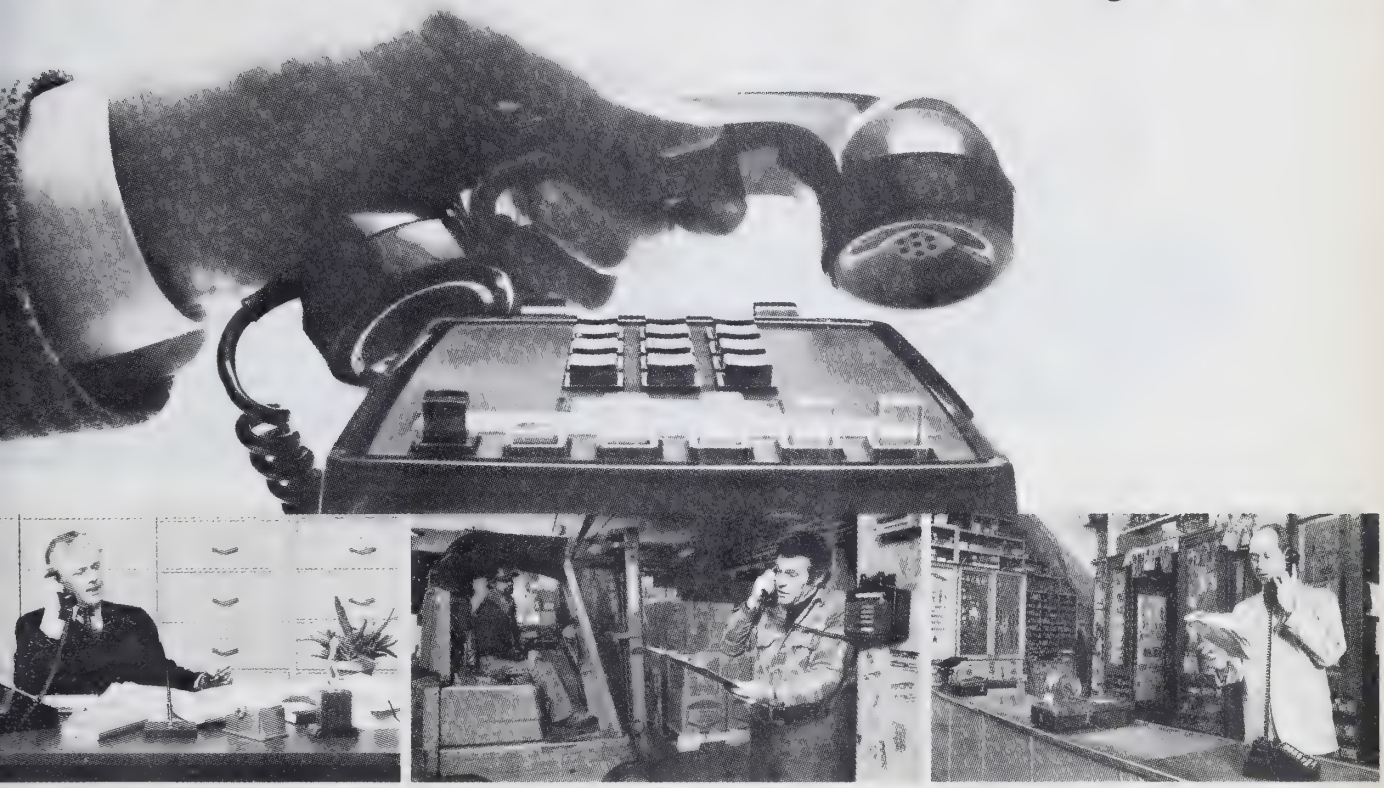
Solar energy is another field that has been slow to pay off. Northwe has put up $3 million in seed mon help scientists at Ohio's Battelle M rial Institute develop ideas. All it h show to date is a sheaf of patents a experimental 50-hp solar pump he to irrigate the company's 76,00 farm in Arizona. Ferguson is still hu for industrial partners to join his venture but says resignedly that power is "no overnight payoff like oil, gas and other energy." This pat comes naturally. Ferguson was down during the 1943 "ball-bearing over Schweinfurt and spent 19 m in a German POW camp.

Despite a penchant for ventures are off the beaten track, Ferguson wildcatter. He is proud of his oil but he is just as enthusiastic abou tight rein he keeps on his comp day-to-day routine. *Best's Insuranc ports*, the industry's bible, gives N western top marks in expenses an costs to policyholders ("remarl low"), mortality experience ("very f able") and policy lapses and surre ("very low").

Ferguson gives credit for these grades to Northwestern's 3,600 ag and its success in keeping them i fold for more than four years, more double the industry average (for 29% *vs.* 13%). The number of hom fice employees per $100 million in i ance, another benchmark, is 4.6, to the field. His nearest rival, Ferg notes, needs 6.7 employees per $100 lion, a difference that means $11 mi in annual costs. The caliber of N western agents is another plus: have won the industry's National ity Award, compared with an indu average of 10%; 35% can put C.L.U Chartered Life Underwriter), the i ance blue ribbon, on their calling c *vs.* 14% for the competition. Fergu plan is to keep running this tight with the same kind of crew.

How are his *personal* investments ing? A farmer's son from upstate York, he bought 2,500 acres of Missi pi delta land in 1976. "It was $1,00 acre," he says. "Now it's $1,500." ■

Now—the no-rent, no up-keep ranch office from the Bell System.



You can do business in a distant city for only $16* a month.

nks to the new miracle of Remote Forwarding—RCF—you can open ranch office" in a distant city where e is potential business for your firm. hout investing in office space, equip- t or additional help.

r cost? Only $16* a month.

w RCF works.

Bell System will assign your firm cal telephone number in the city re you want to develop new roots. l to establish your identity in this , your company will be listed in both white and yellow-page directories. *o additional cost.*

r customer in the remote city sim- dials your local number, and the is automatically forwarded *directly ou... with no waiting and without ator assistance.*

you pay for your new "branch e" is the low monthly service charge 16* plus the low direct dial rate for n incoming call. Since your RCF nber is connected to your regular ness phone, *no telephone is needed he distant city.*

F—fast, convenient, inexpensive.

F establishes your identity in another city. Your customers and field representatives can call you locally and directly.

Though you're physically located in a distant city, to your customers you're only a local phone call away.

Now you can grow with your market.

RCF offers you the opportunity to explore new markets—practically without investment.

To begin, you may only want to start out with RCF service in a single market. Later, you may want to open additional markets. No problem. You simply add RCF as you need it.

As you'll find out from a Bell Account Executive, there are countless applications for RCF.

Find out from the Bell System how we can help your business grow.

Your business has special needs. This is why you should talk to a Bell Account Executive. We can tailor service to *your* specific needs.

*$16 is the typical monthly rate for your first RCF number, with slight rate variances in some locations. In addition, a nominal service connection charge usually applies. Each call forwarded is charged at low direct dial rates and is applied to your RCF bill. Your Bell Account Executive will advise you on the availability of RCF in the market area you choose.

There's no obligation of course. Call our toll-free number right now—while you're thinking about RCF.

800-821-2121

Anywhere in the contiguous United States
(In Missouri call 800-892-2121)

Or, if you prefer, just complete and mail the coupon below.

Bell System Sales Center 101-005
811 Main Street
P.O. Box 1418
Kansas City, Missouri 64141

YES! I'm interested. Tell me more about Remote Call Forwarding and how it will benefit my firm. I understand there is no obligation on my part.

Name_____

Title_____

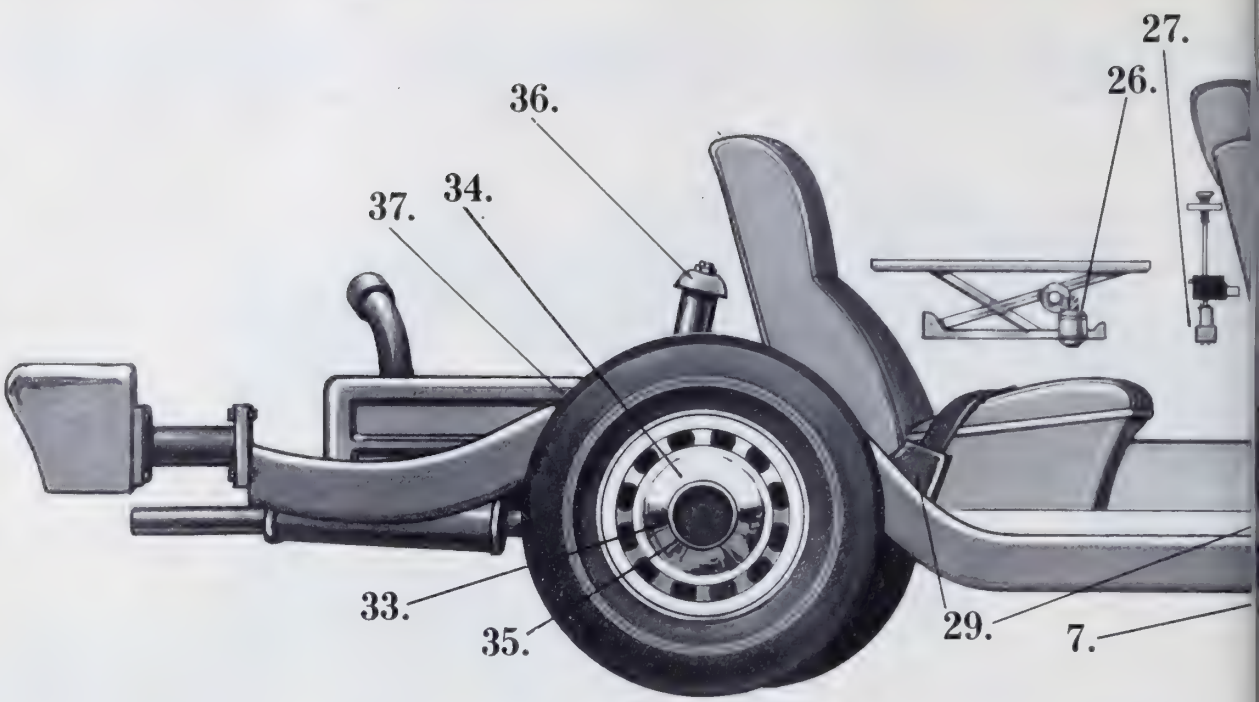
Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone No _____

Bell System



A partial list of small parts and components assembled on Bodine machines for major car manufac
1.*Thermostats* **2.***Headlight assemblies* **3.***Generators* **4.***Alternators* **5.***Battery clamps* **6.***Air condi*
valves **7.***Universal joints* **8.***Solid-state ignition* **9.***Voltage regulators* **10.***Fuel injectors* **11.**
12.*Carburetors* **13.***Diverter valves* **14.***Diaphragm valves* **15.***Air valves* **16.***Air pumps* **17.***Solenoid st*
18.*Windshield wipers* **19.***Armatures* **20.***Speedometers* **21.***Cigarette lighters* **22.***Rearview mirrors*

A Bodine machin about anything in a ca And save you up to 95¢ o

Our business at Bodine is making small-parts assembly machines. Not for things like frames and body work—but for assemblies like those listed above.

If you make small parts, we can tell you how to assemble those small parts faster, better—and for far less than it's costing you now.

Think about it for a moment and you'll quickly see why. Industry today is investing literally millions of dollars in trying to cut material and fabricating costs. Trouble is, there's not much room left to cut.

Where the savings are.

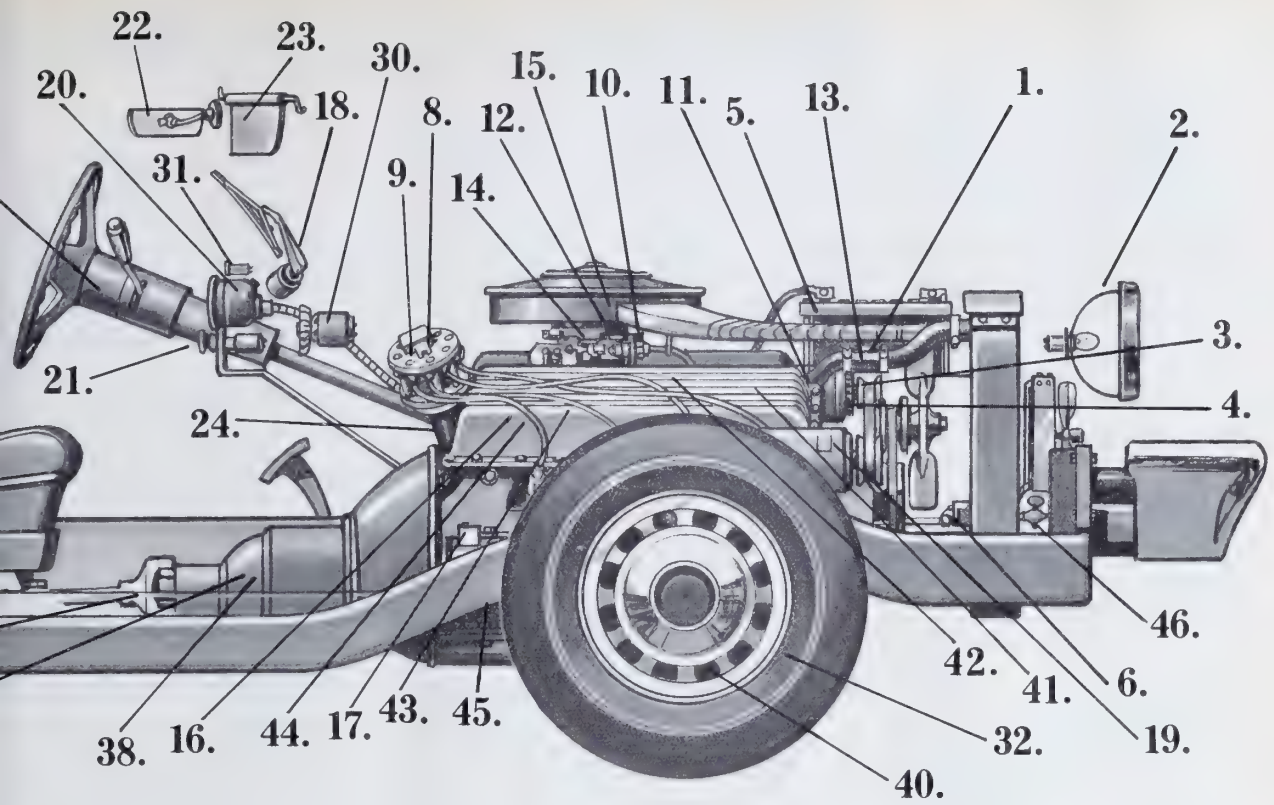
The one place left where you can make really significant cost reductions these days is in assembly. That's where your capital expenditures should be, because that's where you stand to save the most. And that's where we can show you how to save up to 95¢ on every assembly dollar.

We know because we've done it for many of America's most successful companies.

Does that mean we can do the same for you? Not necessarily. But 50 years experience in this business tells us that 6 of eve manufacturers can switch t kind of "selective automatio end up with substantial savin

What kind of savings?

We're not just talking labor costs although, obvi that is a big consideration. Yo save because your product q will improve. Which means warranty costs will go dow nally, you will be able to inc production substantially witho hassle of costly hiring and tra procedures.



ackets **24.***Power steering mechanisms* **25.***Collapsible steering mechanisms* **26.***Window lift sms* **27.***Door lock actuators* **28.***Load sensors* **29.***Seat belt retractor switches* **30.***Fan motors signal indicators* **32.***Tire valves* **33.***Wheel bearings* **34.***Wheel cylinders* **35.***Brake adjusting screws k absorbers* **37.***Grease fittings* **38.***Parking lock actuators* **39.***Transmission valves* **40.***Disc brake es* **41.***Rocker arms* **42.***Valve lifters* **43.***Valve rotators* **44.***Valve keepers* **45.***Motor mounts* **46.***Petcocks*

an assemble just xcept the passengers. very assembly dollar.

robability, the machine will itself within a year.

important: Bodine makes y assembly machines that re-tooled for design changes different products. You can y units. Or take them away. ou can re-tool with "off-the- accessories. Bodine makes y truly universal assembly e. It will be working for you ng time.

l with men at the top.

ething else you should know remember. In our shop, the head men take personal charge of your installation. They're the people who conceived the modern Bodine idea and built the Bodine reputation. In brief, you will be getting all the attention you need from the best there is.

How long will it take to start up? In far less time than you would think possible. We promise you will not lose a lot of productive hours on de-bugging—because your machine will already be de-bugged by the time it arrives. This is true no matter what business you're in —from the simplest controls to the most sophisticated electronic components.

What do you do now?

Write Frank Riley, Vice President, The Bodine Corp., 317 Mountain Grove Street, Bridgeport, Conn. 06605. Or phone (203) 334-3107 and ask for Mr. Riley. And make that call collect. We want to help you start saving money right away.

Bodine

FORBES
CLASSIFIED
appears in the first issue of every month. Look for it in the upcoming issue.

For rates and other information on FORBES CLASSIFIED, call Sarah Madison (212) 675-7725

FORBES: CAPITALIST TOOL

CHANGE OF ADDRESS
If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION
To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).
Canadian orders, add $4 a year.
Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager, FORBES, 60 Fifth Avenue, New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)
New Address:
City
State Zip
F-4826

Readers Say

Swiss more productive?

SIR: The Swiss franc has every right to soar against our dollar *("An absurd compliment to Switzerland," Fact and Comment, Dec. 11).* In terms of gross national product, they outproduce us per capita $16,500 to $9,500.
—Stephen M. Totton
Park Ridge, Ill.

Experts say that to get a proper comparison of productivity, one should use what economists call "purchasing-power parity" exchange rates instead of the exchange rate you find in the newspaper. The adjusted exchange rate measures what a dollar earned here will buy in the U.S. compared to what a franc earned in Switzerland would actually buy in Switzerland. On this basis, the Swiss are no more productive than the U.S.—ED.

Bishop Steinberg?

SIR: After reading the Dec. 25 issue, I realize it is a tough world out there and I guess sooner or later we all need someone or something to lean on.

The Methodists are worried they might actually be held responsible for their retirement home fiasco *(p. 25)*; the international construction and equipment business needs government subsidies because they are at a disadvantage operating under the rules of free enterprise *(p. 27)*; the trucking industry needs government regulation to save it from the destructive competition of little entrepreneurs *(p. 41)*.

Fortunately there are still a few Saul Steinbergs around *(p. 30)*. I wonder what he would do if he were a Methodist bishop.
—Jim Stjernstrom
Longview, Tex.

New York Times poll?

SIR: Dr. Gallup's poll *(Fact and Comment, Nov. 27, reference to public support for price and wage controls)* must have been taken in *The New York Times'* newsroom.
—Donald MacArthur
Sarasota, Fla.

Secs' lib

SIR: Your article "The secretary is becoming an endangered species" *(Dec. 11)* was most perceptive, especially for recognizing that it's the secretary's competence and commitment which often conceal managerial mediocrity.

Perhaps the trend you foresee blow some good, by eliminating th retarial roles of Nanny, gopher, and cover-upper for a nurd manage
—E.J. Finn
Convent Station, N.J.

SIR: Isn't it a shame there is a sh and the girls are demanding a wage? I can just imagine, 100 or so ago the bemoaners saying, "If slaves demand wages for choppin ton, we are going to have inflatio the price will go sky high."

Chop your own cotton. We're fi last—and upwardly mobile.
—Mary Ellen Cohon
Morton Grove, Ill.

He looks good, but. . .

SIR: Thank you for the compliment cerning my] quotation picked up a Sarnoff's *(Fact and Comment, Dec. 2* is most appreciated.
—William R. Salomon
New York, N.Y.

SIR: It looks like William Salomon healthier these days than his firm. mon Bros.' earnings for the latest year plunged more than 50%.
—James Walker
New York, N.Y.

A better idea?

SIR: As a faithful reader of FORBES, I to put up with Malcolm Forbes' rub . . . comparable to watching *Mo Night Football* with Howard Cosell. us a break, MSF, and retire so that intelligent son MSF Jr. can fill that
—John Chiu
Seattle, Wash.

Good idea.—MSF JR.

SIR: For FORBES magazine, for our c try and for me, I hope MSF's CEO continues for many years.
—William E. Burch
President,
Fred. S. James & Co., Inc.
Chicago, Ill.

Mr. Burch has a better idea—MSF.

Reimann's contention

SIR: FORBES *(Nov. 13, 1978, "Saturday ning blues")* reported that my comp International Reports, was owned

Monte Carlo.
Personal luxury
or people who've earned it.

Every fleet needs special cars with special touches of comfort and styling. They go to special people, proven performers who've earned recognition. Chevrolet makes just the right car for those people... Monte Carlo.

A car that stands apart from the crowd.

Monte Carlo is a car with a personality all its own. It pleases the eye with its clean sculptured lines and the effortless sweep and flow of curves from front to rear. It's quiet. The ride is soft and comfortable. Inside it's thickly carpeted, richly upholstered, beautifully laid out. Arriving in a Monte Carlo makes a definite statement about the driver and his company.

New punch from the standard V6.

Choose from a variety of four engines—two V6s and two V8s (one V6 and one V8 in California). For 1979 the base 3.3 Litre V6 features power-boosting refinements in the ignition, carburetor, and transmission for added response in the low and intermediate speed range. Monte Carlo is equipped with GM-built engines produced by various divisions.

Monte Carlo is packed with Chevy value. That's the quality and solid reputation behind a great name. Why not call the man with all the details, your Chevrolet Regional Fleet Account Executive. Ask him about the car that stands apart from the crowd. The 1979 Monte Carlo from Chevrolet.

Chevrolet

Chevy cars, Chevy people,
Chevy dealers, the proven performers.

"In making investment decisions, I want as much information as I can get. That's why I read Barron's."

Tinkham Veale III
Vice President—Investments
Alco Standard Corporation
Cleveland, Ohio

"As the manager of my firm's pension fund and other investments, I have a great need for a variety of economic and investment information. So it's important to me to keep on top of what's happening to companies and the market. Barron's is a big help.

"There are a number of articles I find particularly useful in my work. I like the fresh inside perspective that Abelson's Up & Down Wall Street gives me, whether he's writing about a specific company—or events of broader significance.

"Investment News & Views—with its in-depth company analyses—does two jobs for me. It gives me information about firms that are not often covered elsewhere. And, when we do have an investment interest in the reviewed company, Barron's facts and judgments play a valuable role in our decision-making process."

Whether you're a professional or an individual investor, you're constantly faced with important decisions. And no publication works harder to help you make the right decisions than Barron's. With facts, figures and insights. We look ahead—to help keep you ahead. That's why over one million people read Barron's every week.* Subscribe today.

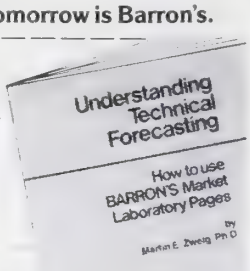
*Source: TGI, Spring, 1978.

Today is history. Tomorrow is Barron's.

BARRON'S, 200 Burnett Road, Chicopee, Mass. 01021
The National Business and Financial Weekly from Dow Jones

☐ Please enter my subscription to Barron's for 3 months (13 issues) at $9.
☐ I prefer one year (52 issues) at $36. ☐ Payment enclosed. ☐ Bill me.

I understand, upon receipt of subscription payment, I will receive a free copy of the 32-page booklet, "Understanding Technical Forecasting: How to use Barron's Market Laboratory Pages."



Name _____

Address _____

City _____ State _____ Zip _____

Prices good in U.S. and Possessions only. 2B882

Readers Say

Curtis Publishing Co. We contend the agreement to purchase Internat Reports is invalid and, if not invalid Curtis Publishing Co. has default nonpayment of installment payn due on account of the purchase The matter is presently being liti In the meantime, I remain in full co of the company.
—Guenter Reimann
Editor and Publisher,
International Reports
New York, N.Y.

International Reports, Inc. *is inc as part of Curtis in its 1977 annual and its assets are included in the balance sheet*—ED.

Tables reversed

SIR: The two tables showing ear and dividends in the T. Rowe Price cle *(Dec. 11)* are reversed.
—Edward J. Dortignac
Bowie, Md.

New format (cont.)

SIR: Delighted at the new and gen improved look of the typography.
—Richard N. Weltz
New York, N.Y.

SIR: It must be a sign of the aging pr when one reacts poorly to change. want to go on the record as bein happy with the new layout and for
—Gardiner S. Dutton
New York, N.Y.

SIR: I find the new format someho duces my attention span.
—Roger Beutner
Grand Rapids, Mich.

SIR: I found the magazine so much er that I found myself reading ar which I ordinarily would not take out to do. Needless to say, I am gr for such improvement.
—Herman C. Ehrlich
Roslyn, N.Y.

SIR: The new graphics are really su making the magazine a whole r than separate pieces.
—Leonard R. Harris
Director, Corporate Development,
The New York Times
New York, N.Y.

SIR: A knockout. Congratulations.
—George G. Weiss
Augusta, Ga.

King's dream. Kennedy's courage.

A decade of change. When confident leadership moved the nation in new directions. Here at home. And in outer space. Avco changed, too. Exploring new frontiers in technology and financial services.

Yesterday, we designed and built the heat shields that brought Apollo Command Modules safely home. Today, we're producing a lightweight coating able to withstand metal-searing temperatures. Providing lifesaving protection for the petro-chemical industry.

In the Sixties, we began to organize Avco Financial Services and acquired The Paul Revere Companies. Today, AFS is the third largest consumer finance company in the world. Serving clients in five countries. And Paul Revere is revolutionizing life insurance with our innovative Super Standard Policy. Providing special premium rates for people across the nation.

Leading the way for fifty years. From aerospace to financial services, from research to manufacturing. Where Avco leads, confidence follows.

Today, Paul Revere's Super Standard Policy is a reward for good health.

AVCO CORPORATION

Where Avco leads, confidence follows.

"Any computer company that helps architects reach new heights of design and educators break new ground in instruction is more than a computer company."

Henry J. White
Executive Vice President, Data Services
Control Data Corporation

Peachtree Center Plaza pierces the Atlanta skyline with a majestic elegance that is the hallmark of a John Portman design. The seventy-floor hotel is also a towering example of the speed and efficiency with which the famed architect-developer turns dreams into steel and concrete.

Like San Francisco's Embarcadero Center and the more recent Renaissance Center in Detroit, John Portman & Associates started on ground zero with a plan. A purpose. And the computer technology of Control Data.

Using computer structural analysis programs available through Control Data's CYBERNET® Data Services, Portman engineers were able to speed the design cycle of a large part of the Peachtree Center complex, including the Plaza, one of the world's tallest hotels.

The frames, beams, steel columns and foundation of the massive design were analyzed and verified for structural integrity in hours, not months—using a terminal linked to computers that are part of our worldwide data services network.

"Just as Control Data is helping architects break fresh ground in urban centers, we're helping educators achieve breakthroughs, too. Control Data is working with the University of Delaware to establish a campus-wide, computer-based educational system.

"Utilizing the flexibility, simulation capability and responsiveness of the world's most advanced instructional system—Control Data PLATO®—more than 1,000 students are already benefiting. And this system's ability to deliver information in the form of texts, drawings and animated graphics makes it applicable for any course of study.

"CYBERNET Data Services for structural analysis, Control Data PLATO for computer-based education... just two of the broad-based capabilities of a company that is meeting important needs, worldwide."

CONTROL DATA CORPORATION

More than a computer company

Piggyback.

Stack up your roll towels and use every inch of paper you buy.

Piggybacking is how Fort Howard's Commander I® cabinet can help reduce your maintenance costs. You can save two ways.

Commander I helps reduce paper waste. It has room for a full roll plus the "stub roll," the leftover roll your maintenance crew may be removing and throwing away. When the stub roll runs out, the Commander I begins dispensing the new roll. Automatically.

Commander I helps save maintenance time, too. When you fill the Commander I with our 850-foot No-Rivet® roll, you have the longest roll towel in the business. That means fewer refills. And less chance of running out.

See how you can stretch your maintenance dollar. Call the Fort. Dial (312) T-H-E-F-O-R-T. And start using every inch of paper you buy.

Fort Howard Paper
Green Bay, Wisconsin 54305

Call the Fort

Dial (312) T-H-E-F-O-R-T

Call the Fort is a service mark of Fort Howard Paper.

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

FLATION

is what we're after. We can't afford more *in-* or much *de-*.

THE JOLTING OPEC OIL PRICE JUMP

ocks the boat we're all in—OPEC included. It's not, r, an *unmitigated* disaster.

the embargo of five years ago, the world has adjusted ole new economic scene. We've lost the sense of energy . Instead of digging coal, we fall back to debating its l cons; instead of all-out stockpiling of a year's reserve e futz about its cost and fringe problems of storage; we ing price games with Mexico and its vast oil reserves, turn aside the pipelines and the understanding needed ne fuel here; we keep such a rigamarole of gas and oil ntrols that the companies who'd go after more of the uld lose money doing it.

taking an almost unaffordably long time to learn we pay at the pump the price the rest of the world is or petrol.

to $1.50 a gallon it would still cost less in the U.S. than est of the world. At that price, though, it wouldn't be long before energy was coming out of our ears. And a pretty good hunk of that cost ought to be straight federal tax. The added revenues would do two things—largely reduce the anticipated $40 billion deficit with lots left over for tax rebate for essential job-connected driving and other stimulative tax cuts as well.

Would paying the real price of gas spur inflation?

To a lesser degree than one might suppose.

We'd be using less, importing appreciably less of the stuff. We'd soon have much more of it from competing sources, and that would bring the price down in the not-too-distant future. Between lessened oil imports, heightened federal revenue and a greatly lessened deficit, the buck would start climbing.

We still hang by an OPEC oil line. We can lessen that dependence, strengthen our freedom by cutting out this phony pricing minuet. Let's pay the pipers, and energy will soon be in abundance. Overabundance.

CHINA-PACT CRITICS ARE ALL WET

jumping on Carter for recognizing that China is ave to be emotionally or politically motivated, because no sound ground on which to base their assaults.

k us 25 years after the Czar's overthrow to establish elations with the U.S.S.R., and it's taken almost 30 years p to the fact that Taiwan is not China and that China and nillion citizens—a quarter of the globe's people—won't if we continue to pretend they don't exist.

on hadn't been given the Watergate, what Carter's now uld have been done four or five years ago.

Russia scoring—by intent or default—in Africa and , with us losing in Iran, and the breakdown of Israeli- negotiations, it is mighty helpful to have closer, real ina ties to restore the global balance of power.

China looms large right now as an export market to one of the key contributors to our inflation, and as a l additional source of oil.

n? Its security and its prosperity are based in major measure on exports to this country. It is not, as a practical matter, threatened in the foreseeable future.

Younger Americans probably don't realize how long-standing and deep our ties with China have been. They go back to before the collapse of Chiang Kai-shek's corruption-weakened government to the disciplined Red forces soon after World War II. At the turn of the century our "open-door" policy saved China from colonization by European powers. As a kid in school, I can remember that time and again we collected pennies and contributed things to Chinese flood and famine relief. American feelings were inflamed—though our aid was ineffectual—as Japan began its rape of China in 1931.

Although our great problems and China's enormous ones are vastly different, the U.S.S.R. is one we have in common. Normalizing relations doesn't provide any magic wand, but it contributes importantly to our posture, to common sense, and to our security to acknowledge that China exists.

And that *China* is China.

Reprinted from the Los Angeles HERALD EXAMINER

Q&A

Forbes Magazine: Why Its Nettling Feels Like Needling

Malcolm S. Forbes interviewed by financial editor Arelo Sederberg.

Question: It is said that FORBES "puts in the needle" when it does a corporate story. Is that true?

Forbes: No, it's not true. Somebody considers it a needle when he's asked, for instance, why he's doing less well than his competition. A gentleman who is being interviewed because his company's sales are up 20 percent expects you to concentrate on why he's doing so well. Our interest would be why he's only up 20 percent, and the three other fellows in the field are up more. We examine the footnotes, not the shiny face.

Q: You don't consider that a needle?

A: I consider it a needle when you are derogatory of a man's overeating or describe him as fat. A needle is not when you nettle somebody because you've asked things that don't reflect the most brilliant part of his performance.

Q: Where does FORBES stand now, compared to other business magazines?

A: You ask at a good time. We are in our fourth year of record-breaking advertising pages, revenue and circulation. In this country our circulation is about equal to that of Business Week, and about 100,000 ahead of Fortune.

Q: When did you pass Fortune?

A: We passed Fortune in advertising pages three years ago, and in circulation over ten years ago.

Q: Do you own the magazine?

A: As they say, lock, stock and barrel.

Q: Did you found it?

A: No, my father did, in 1917.

Q: It's said that FORBES editorializes in its stories—that the writer has an opinion on the subject of the article.

A: Absolutely. And it often turns out to be the reverse of what he had when he set out to do the story. The thing that has enabled FORBES to keep good editors and to attract bright and able young ones is because their point of view matters. Sure, there are senior editors who may leaven the loaf from a greater fund of knowledge. But the view of the writer matters.

Q: You don't consider that editorializing?

A: We don't editorialize. But we're not doing an article if there's no purpose to doing it. If it's merely a platitudinous report of quarterly earnings, that's not our function. We are always appraising a company in relation to its competition, trying to measure the man running it. So many people think a GE or a GM is impersonal. It's not. The fellow running it can screw up a major company, as we see time and again.

Q: Are businessmen, by and large, honest?

A: Absolutely. They are as honest as any given segment [of society], and perhaps more honest than most. It's like motorcyclists. They are not all Hell's Angels. But there is a percent [of dishonesty] in business, and it varies from 2 percent to 10 percent, depending on your definition of dishonesty.

Q: Would you give us an example of what you consider dishonesty?

A: When the packaging companies came out with cereal boxes four times the size of the content, I term that dishonest. It got the FTC [Federal Trade Commission] into the cereal act to the point where now those jerks want to tell you what your kids can eat for breakfast.

Q: Is there an antibusiness attitude in America?

A: Yes, but far less than it was. For instance, since Proposition 13, everybody has an opinion of its significance; I have one too. I don't think it represents a tax revolt or a swing to the right. It's simply a reflection that there are more people in the country today with a piece of the action.

Q: That helped people understand business?

A: The awareness of government inefficiency, plus the fact that more Americans have something to lose by high taxation, has made for a rehabilitation [of business] in the eyes of most people. The understanding of profit and of what it takes to run a business is much more widespread than it was.

Q: You've been described as an arch-conservative. Is that accurate?

A: Oh no. I have seldom been accused of it, if you read the letters to the editor in FORBES.

No, I'm something that's out of fashion these days. I'm a liberal. You conserve by coping with change, not by opposing it. I hate to use silly words, but for the economy to stay alive the system has to be dynamic. That means coping with changes, changes in mores, attitudes and preferences. The conservative, to me, is somebody who wants to keep things as they were, or to keep his niche. That's a hopeless case.

Q: General Motors says it has 25,000 employees just to cope with government regulations. Is industry overregulated?

A: Absolutely. It isn't so much the regulation. It's the failure to calculat cost of directives. The idea of emis control became essential. Now, wheth percent is adequate when another 5 cent is going to add $400 to the cost car—that [5 percent] becomes a dimi ing point. The danger of regulation i so much of it is in the form of direc Nobody has costed them and equated and made a decision about whethe worth it. Or submitted that decision t people, Congress, the President, some board.

Q: So you think many of the regula have no connection with reality?

A: Some of them are expensively ab OSHA [Occupational Safety & Health ministration] is in that category in mu what it does. See, Congress legislate motherhood. But some little guy with equate knowledge is the fellow interpr what the law means. Then a whole b of people are out ringing the doorbel saying, "How high are the fire exting ers in your gas station, and are they si from the nearest acetylene torch?"

Q: What businessmen do you admire?

A: A.R. Abboud at First Nation Chicago and David Rockefeller. Peopl that I admire because they recogniz running vast companies, that their bi responsibility isn't the next product. have to be in there with their clout, t to influence the conditions under business can survive.

Q: Are there any that you do not cially admire?

A: Yes. Those who just grab comp for the sake of ego trips.

Q: You oppose bigness?

A: A General Motors, an AT&T ha be big. We've benefited because IB big. But pure conglomeration for exec ego trips presents a danger.

Q: One of the sayings in your bo "No winner always is." Is that tru corporations?

A: Oh, sure. Every company b from time to time.

Q: You are a balloonist, too. Wh you do that?

A: Well, it seemed a natural extensi the hot air business that we're in. Ser ly, it's a happy thing. It's fun. Nobody mad at a balloon, they enjoy it.

Q: Do you regard ballooning as ris

A: No, I enjoy life too much to wa lose it.

YOU'D NEVER KNOW

from her vitality and her unbounded cheerful enjoyment in living that Luvie Pearson, widow of Drew Pearson, passed her 21st birthday several decades ago.

Chided recently about smoking too much by those of us who want her to live forever, she replied with the unmatched wry humor that helps make Luvie everyone's favorite person: "Listen, I'm not going to deny myself one of life's little pleasures when I'm on the last lap. Who wants an extra decade in the nursing home?"

MOVIE REVIEWS

Deer Hunter—A $13 million epic that may be branded a n war film, but it isn't. It's an attempt to convey the ul bind of (nongay) male friendship. Spectacular as the raphy is, an hour less would much improve the remain-. **Once in Paris,** too, is about the strength of male hip, in this instance stemming from love and/or sex e same gal. The chauffeur hero is of low key but heroic ions. This con man of sterling character makes the film kleful delight. **Get Out Your Handkerchiefs**—Another French delight about a strong friendship two men develop during their efforts to save a lovely they both love, by getting her with a child she so yearns to have. It takes a 13-year-old to do the job though, and the kid's a fabulous actor. **Midnight Express**—The true story of a young American caught smuggling hashish out of Turkey and his intolerably long and brutal imprisonment is bad enough. But this jolting, hauntingly photographed movie overkills Turks and Turkey and fictionalizes so much that the real point of film and book is blunted.

TO STICK WITH A MISTAKE
is worse than making one.

ISN'T IT FORTUNATE HOW SELECTIVE
our recollections usually are.

ANOTHER PIECE OF INFLATIONARY REGULATION

By M.S. Forbes Jr.

n important source of today's in-ion is regulation. Everyone puts it his list of inflationary villains, but ny observers don't yet fully appre-e how important an item it is *(see column, Dec. 25, 1978).*

ecently, the Environmental Pro-tion Agency gave us yet another mple of how political decrees can l to higher prices. The EPA has ounced that it will probably order o's major electric utilities to burn lly mined coal instead of the less-uting out-of-state variety—all the ities have to do is add much more ensive depolluting gizmos.

Why must Ohio's electric compa-s go this costlier route? Under the 7 Clean Air Act, the EPA can or-utilities to burn local coal if that l prevent "disruption" of the local nomy. This provision was slipped o the legislation at the behest of United Mine Workers union, ch feared that clean air rules uld induce utilities to use low-sul-coal from nonunion strip mines in West. The wording of the law is h that the EPA could—if it chose—mit Ohio utilities to buy low-sulfur l from neighboring states. But the ncy may not permit the power npanies to do even that.

In any event, Ohio consumers will have to pay for this measure of bureaucratic and legislative politics. Cleveland Electric, for example, argues that installing the necessary scrubbing equipment will raise the average residential bill 25%.

TO BE FAIR

to Washington, however, not all of the inflation we're experiencing today can be laid at the government's doorstep. Take housing, the cost of which has risen rapidly in recent years. The "culprits" here are demographics and the women's movement.

We all know the post-World War II baby boom suddenly required more schools and, after that, greatly increased the labor supply. Now it is affecting housing. These grown-up babies are at an age where they want to own their own pads, and the housing market was no more prepared for this surge in demand than school officials were 25 years ago.

Adding to the pressure from this demographic bubble is the phenomenon of millions of women entering the labor force rather than staying in the home. More than 30 million families today have two sources of income instead of the traditional one.

The higher net incomes mean these working couples can not only save more rapidly for a down payment on a house, but they can also afford to take on more debt. The Equal Credit Opportunity Act of 1975, passed under pressure from women's rights groups, stipulated that lenders can no longer disregard a wife's income when judging a couple's credit standing. As Kidder, Peabody's often perceptive economist Sam Nakagama points out, "This act has enormously expanded the borrowing capacity of the household. . . . Far from being victimized by rising housing costs, young people are largely responsible for the inflationary boom in home prices."

In still another break from the past, single people are today more apt to buy houses as well. The proportion of new sales made to singles is the highest ever.

It is true that some of the recent frenzied house buying was prompted by the fear that "If you don't get it now, you'll only pay more later." Some of it, too, was fueled by sheer speculation.

But even without those factors, the underlying demand for housing created by demographic and social forces was so powerful that a surge in prices was unavoidable.

Housing is one contributor to inflation that the government didn't create and cannot control.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Alaska, Japan & Oil

Commissioner Sterling Gallagher, who heads Alaska's equivalent of the Internal Revenue Service and works closely with Alaska Governor Jay S. Hammond on the state's oil and gas policies, said, "We're not shutting it [oil exploration] off. It's the silly federal government that won't allow exports." The state and a number of oil firms have urged the President to allow exports of Alaskan crude to Japan in exchange for foreign oil delivered by the Japanese to the East or Gulf coasts. They note that the current West Coast oil surplus of some 500,000 barrels a day, which is being shipped through the Panama Canal to East and Gulf coast refineries, is adding some $2 a barrel to overall transportation costs.

—Maureen Robb,
Knight-Ridder Newspapers

Unimportant Details

As usual, [writer Djordje Jovanovic-Jarac] reinforced his air of seeming indifference with jokes and swearing, though he was aware that I knew him to be an extremely sensitive person. In war he apparently found a confirmation of his imagined personality—fearless and daring. For a while we chatted about anything and everything, even our common frustration as writers. I lamented this, while Jarac pointed out ardently that this war against the most inhuman of forces was in fact the most complete fulfillment of every authentic intellectual. . . .

I spotted a louse on his sleeve and said, "Why don't you get deloused? We have the facilities here."

He flicked the louse off and replied, "What for? I'll just get some more tomorrow. Lice are annoying only if you notice them."

"So you are still a Surrealist," I observed.

"Not at all! It's just that my men and I don't want to lend importance to things which aren't important today."

—Milovan Djilas, *Wartime*

Culture Gap

I asked three Chinese college students what they wondered about America. Their questions: "Why do American children leave their parents?" "Who takes care of the parents when they are old if the children are not there?" "What happens when the old people get sick?" "Don't the children feel guilty?"

—Chinese-American student Tom Lee,
quoted in *The New York Times*

Innocents Beware

The worst defense lawyers I know are those who become convinced their clients are innocent.

—William G. Hundley,
criminal lawyer, *Time*

Movie Scalpeling

Superman: There isn't a thought in this film's head that would be out of place on the side of a box of Wheaties. . . . Opening credits are so portentous they could be announcing the dis
of a new mouthwash. . . . For me
if somebody had constructed a bu
as tall as the World Trade Center
color and shape of a carrot. R
might admire it. They might even
learned critiques about it and find i
an inspiration and a reward, whi
rest of us would see nothing b
alarmingly large, imitation carrot.

—Vincent C
The New York

Oliver's Story is about as inter
as watching a can rust.

—Stewart
WNEW-TV movie

***[Business Council] ec
mists are predicting
growth in the second ha
next year will be slower
in the first; in October,
forecast the reverse.***

—Wall Street Jou

No Waste, No Growth

Waste and irrationality is the se
economic growth. Because no
knows which venture will su
which number will win the lott
society ruled by faith and risk
than by rational calculus, a society
to the future rather than planning i
call forth an endless stream of inve
enterprise and art. . . . The most
and fatal hubris for any leader is
his people off from providence, fro
miraculous prodigality of chance, b
stituting a closed system of human
ning. Innovation is always unpredic
and thus an effect of faith and freed

—George Gilder, *Ha*

Bag Boy Profits

Every shopper has probably m
"Wow, are these supermarkets
making money!" Out of every dolla
up at the check-out counter, less
one cent is profit. If a shopper has
order and she tips the bag boy a q
for taking her purchases to her c
will receive three times as much m
on that order as the company whic
ploys him.

—Jean Pr
The Republic, Columbus

Old Stripper on New

Ann Corio, famed yesteryear st
par excellence, criticizing today's
less-bottomless dancers: "I told my
to leave something on—keep a littl
fon on. A woman's greatest asse
man's imagination."

"Things go better with Coke!"

Rosen, Albany Times-Union, N.Y.

The signposts of success are clearly lettered.

Seagram's V.O.

Bottled in Canada. Preferred throughout the world.

Enjoy our quality in moderation.

Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

GM

1979 Oldsmobile Ninety-Eight Regency.

It's comforting to know you can lose your heart without losing your head.

It's rather easy to lose your heart to the Olds 98 Regency. After all, the Oldsmobile commitment to quality and luxury is reflected in every detail. Classic lines. An environment that surrounds you with fine appointments. Yes, the Olds 98 Regency was designed to appeal to your heart, to your desire for creature comforts. But beneath all that luxury is a fine-tuned machine with surprising maneuverability in city traffic and a smooth, big car ride. Its trim size is easy to park. And its efficient design permits room for six inside, and over 20 cubic feet of luggage space. Finally, compare Regency's price to that of other cars of its size and luxury. Then you'll see why we call it the thinking man's luxury car. Test-drive one soon.

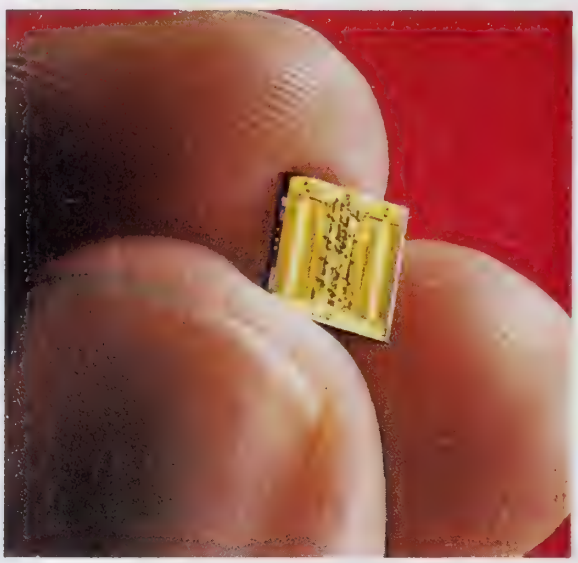
Oldsmobile

98 Regency

Have one built for you.

IBM Reports

Another first from IBM. Another way to do more for less.



This tiny electronic chip is a technological breakthrough in IBM computers.

A product of our laboratories, it can hold more than 64,000 pieces of information. That's 32 times more than previous IBM chips. And almost as much information as you could put in the entire memory of our early room-sized computers.

A handful of these chips could store all the works of Shakespeare.

In October, IBM became the first company to announce new computer systems to use such advanced, high-density chips. We're proud of that. Because being innovative means finding ways to put the products of our laboratories into products for people.

What's really significant about these amazing chips is that they can do a lot more for a lot lower cost.

For example, main memory prices for our new systems are about 1/6th the price of memories in our most powerful computers when they were introduced just two years ago.

In inflationary times like these, it's important to find ways to do more for less. We're working hard at it. So are our competitors.

That's why it's a constant challenge to make our products the best.

IBM

Helping put information to work for people

e U.S. is wise it will not ask what Mexican oil can do us but rather what we can do for Mexico.

Mexican oil: The U.S. is most definitely *not* in the driver's seat

By James Flanigan

ITTLE OVER A YEAR AGO, the U.S., nation that meekly accepts oil rice rises while it sends its Treasecretary to kiss the robes of OPEC tes, tried to beat Mexico down OPEC prices on its asking price The same U.S. which purchases n Canada and Algeria—the one a r whose government has refused sales to the U.S. since 1970, the rabid, pro-Soviet nation which r tried to get the U.S. to pay over usand cubic feet for gas—refused $2.60 per mcf for 2 billion cubic as a day from neighbor Mexico. President Carter is journeying to to say, in effect, "Sorry, we'd like after all—at your price."

nonth the U.S. signaled its new hen the Department of Energy two proposals to import costly d natural gas from Algeria, saying rred gas from more "proximate" —meaning Mexico and Canada.

dvance publicity for Carter's trip pful hype that should make it r President José López Portillo to at selling the gas is in the best s of both countries. In rejecting , the U.S. had put López Portillo spot. Leftists and chauvinists in party object loudly to anything ps Uncle Sam; in Mexico they e to wave the bloody shirt of the age cadets of Chapultepec who isting General Winfield Scott's n 1847.

will be put to rest an insult that would have gotten in the way of more important matters the two presidents have to discuss, such as: How much oil Mexico will produce, and export to the U.S., and what Mexico will demand of the U.S. in return.

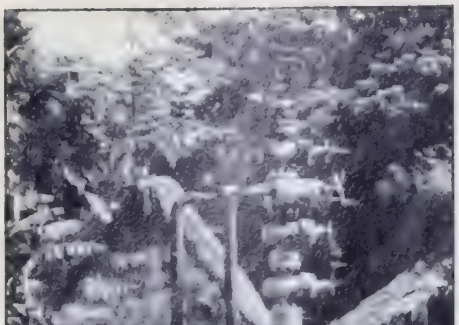
President José López Portillo
Waiting for Carter, and U.S. respect.

The gas itself was never more than a minor factor in the U.S. energy picture; 2 billion cubic feet a day amounts to 3.5% of U.S. annual gas usage, some 1% of its total energy use. The amount of money involved in the haggling was less than what we pay OPEC every two-and-a-half weeks.

It came during López Portillo's first full year in the office he assumed in December 1976 in the wake of Mexico's peso devaluation. Mexico's economy was in bad shape, government deficits eating up the available credit supply. Economic growth had slowed to a walk and the balance of payments had run $3 billion-plus deficits—4% of GNP—two years in a row. López had to accept International Monetary Fund requirements to clean up the deficits in exchange for currency-supporting credits. And so, one of his first acts was to order the rapid development of newfound oil reserves, looking toward $5 billion in oil export earnings in 1982, the final year of his presidential term. Such a figure would amount to 30% of the budget of the Mexican federal government in 1977, as if a single export earned the U.S. $160 billion.

Huge amounts of natural gas would be produced along with that oil, because Mexico's reserves are over one-third gas. Fortuitously, there was the big northern neighbor shivering through the gas-short, bitter winter of 1977. A sale of Mexican gas to the U.S. seemed a natural, the perfect embodiment of the interconnectedness of U.S. and Mexican issues that López spoke of during his visit to Washington in February 1977.

Mexico offered favorable terms. Six U.S. pipeline companies—El Paso, Florida Gas, Southern Natural, Tenneco, Texas Eastern and Transco—welcomed the deal as a source of gas for which the heavy capital outlays were almost all on the Mexican side. An 800-mile, $1.5 billion pipeline would be built from south-



"Christmas tree" in southeast Mexico
No blank checks on nature's gift.

ern Mexico to the Texas border. It would be financed partly by the Export-Import Bank, whose credits would finance purchases of $400 million worth of U.S. equipment for the line—meaning jobs in the U.S. On the U.S. side, only $180 million would bring the gas into the main U.S. pipeline system at Houston.

But from the reaction of the U.S. government, you'd think Mexico was offering to sell not gas but filthy pictures or rancid tequila. Energy Secretary James Schlesinger tried to beat down the Mexican gas price. The State Department gratuitously reminded Mexican representatives of problems the U.S. had with their country—illegal aliens coming over the U.S. border, marijuana coming into the U.S. Senator Adlai Stevenson (D–Ill.) stupidly blocked the Export-Import Bank credit for the pipeline. In all, the U.S. acted more like a banana republic than the world's greatest democracy. Stevenson thought he was pressuring the Mexicans to lower their gas price, the implication being that if Mexico couldn't borrow in the U.S., it couldn't borrow anywhere. The further implication behind both Stevenson's and the Carter Administration's reasoning was that Mexico had nowhere else to sell its gas. Its own industry is not sufficiently developed; its neighbors to the south have far less industry than Mexico. And overseas sales would involve enormously costly liquefaction plants, with relatively little benefit going to Mexico in the price of its natural resource.

Reasoning thus, the Carter Administration decided to adopt what it considered a stern, businesslike stance toward Mexico. Instead, it fell on its face.

The Mexicans, insulted, walked away from the gas negotiations in December 1977. That same month, Petróleos Mexicanos (Pemex), the state oil company, borrowed $200 million from a group of French banks. The following month Pemex borrowed $104 million from 16 Japanese banks. Later in 1978 a group of U.S., European and Japanese banks lent Pemex $1 billion. So much for Senator Stevenson's pressure.

In January 1978 Pemex announced that it was going ahead with the big pipeline and placed orders not in the U.S. but with West German, Japanese, French and Italian suppliers for the steel and equipment. The line is being built to Monterrey—some 150 miles from the Texas border—but without the 18 compressor stations that would have moved the huge volumes to the American market. The gas will replace fuel oil in Mexican electric power plants.

López Portillo warned the Mexican people in September: "Using the gas in Mexico requires more time, more promotion and generates less foreign currency in the short term." To boost foreign receipts López pushed Pemex to reach its 1982 targets by 1980—2.25 million barrels daily of production, 1.1 million of them for export.

Then, after complaining that Mexico gets no "respect" from the U.S., López busied himself in 1978 with a public show of diversifying Mexico's trade partners—a warning to the U.S. that we need Mexico as much as Mexico needs us. In October it was announced that a deal was in the works to sell Japan 20% of Mexico's future oil exports—220,000 barrels a day from 1980—in a package deal in which the Japanese would build a supertanker port on Mexico's west coast and help with a new steel mill. In December a deal was struck in Mexico City with France for another 10% of the oil exports—100,000 barrels a day—in return for France's help with Mexico's uranium development.

Mexico's trade figures at the half year showed the U.S. market share slipping to 54% of Mexico's imports from levels that ranged for years above 60%. The $77 billion GNP Mexican economy—about as big as Sweden's—was sending signals to the $2 trillion GNP economy next door. Belatedly, Washington got the message. By November word was out that the U.S. government was "reviewing" its policy toward Mexico, and U.S. officials began to talk more and more of how close, really, are the views of Carter and López Portillo, 58, a lawyer and teacher who rose as a financial planner through Mexico's one-party government. They talked, too, of how enormous, really, are Mexico's oil reserves.

All the talk of Mexico's potential wealth was a recognition at last of how inextricably intertwined the fates of the two nations are. And recognition of the new fact that Mexico has a sense of dignity that must not be ignored. If well handled, President Carter's visit can go a long way to repairing past damage.

Properly handled, how much of a contribution can Mexico's oil resources make toward filling the U.S.' energy

López announced in September Mexico's oil reserves are at least 2 lion barrels, probably 37 billion b and potentially 200 billion. (That least 13 billion barrels of oil and 3 lion cubic feet of gas, converting can reserve figures back to the commodities.) But the U.S. govern already seems to be doing him on ter, dispensing estimates to U.S. jou ists that the reserves are at least 5 lion barrels. Indeed, Pemex itsel nounced on the last day of 1978 Mexico's proven reserves had ris 40.2 billion barrels, its probable re to 44.6 billion barrels. The potenti serves remained at 200 billion. Wh Mexico has as much as Saudi Ara *i.e.*, 148 billion barrels producible day's price with today's technolog still open to question. We are lea about Mexico's oil almost as Mexi self learns about it. The reason re figures reported out of that country rising is that the true size of the fie the Reforma area in southern M and in the nearby Gulf of Campec only being determined by current ing. A Pemex petroleum engineer ca from the work so far that the Re area's Bermúdez complex (named late director general of Pemex) is as Alaska's North Slope, which, at 1 lion barrels, is the largest field previ discovered in North America. And múdez is one in a region of num oilfields.

The full extent of the Reforma Campeche deposits won't be know some time. Pemex' labor unions, people for whom Mexican oil wa tionalized in 1938, have a contra right to do 40% of all drilling work this slows progress. Mexico meanw has announced, and begun produ from, another vast field near Tamp at the location of Mexican oil dep whose production dates to 1901.

Pemex men at work in the oilfield
Inheritors of 1938's nationalizati

n Mexico tableau of today and tomorrow: a typical house, a car and, looming up, the world's largest gas desulfurizing plant
quarters of Mexico's people remain outside the cash-earning labor force.

y 100 billion-barrel field, called topec, is capable only of slow pro- from literally thousands of wells by numerous drill rigs working he same way a seed planter does oil of Nebraska. In addition, there , interesting prospects way down Guatemala border and gas fields h between Monterrey and Texas. may in fact be as much a gas- country as an oil-bearing one.

comes the real question, which is size of Mexico's reserves but how xico means to produce them. The nts lots of oil quickly. But what exico want?

ico wants to be a partner, not a servant," says Fernando Garza, of information for López Por- he president himself put it this an address to the nation last Sep- "This abundance obliges us to be ely careful and to seek a balance n what we are now and what we ome. We shall use it to generate sources which are renewable and can be multiplied through work. why it is so important to produce n all areas, instead of writing hecks on our oil deposits."

meaning is clear: "Don't think of as another Iran or Saudi Arabia. nt to use our petroleum resources e to create jobs and to raise the Mexican technology; we will ex- ly what we need to close inevita- ble gaps in our balance of payments. We will try to oblige the U.S. but not at the price of becoming a mere supplier of raw materials to a richer neighbor."

The Mexican dream is of a fully developed economy; the specter haunting those dreams is Venezuela. "There are oil-producing countries," says Under Secretary of Foreign Trade Hector Hernandez Cervantes, courteously omitting any names, "that have spent all their oil income just to import food and consumer goods." Rather, he says, "the oil gives Mexico a better opportunity to try to develop the economy as a whole."

Mexico has been one of the world's most rapidly developing nations for over 30 years. But until now it has followed the path of import substitution that was seen by economists after World War II as the sum of human wisdom for developing countries. This has produced a Mexican industry, highly protected by import quotas, that is as much an assembly operation as anything else. Mexico imports the capital goods—the products of innovation and industrial knowhow—mostly from the U.S., while its industry turns out high-priced, often low-quality goods for an internal market. This industry is not competitive in world markets. In 1977 Mexico's leading exports, aside from petroleum, were coffee and tomatoes.

But that is the past. Mexico is changing to the path of export promotion that is the new vogue in development economics, inspired by the success of Taiwan and South Korea. The protectionist import quota system is being cautiously dismantled. Mexico is demanding that its automobile industry concentrate on exporting where it can. Petroleos Mexicanos is exporting 95,000 tons of petrochemicals—out of total production of 6 million tons. Both figures are going to increase dramatically in the next few years. And the private business community has got the message: Produce manufactured goods for export.

Jorge Escalante is the owner of Perforadores Marina del Golfo, a $70 million (revenues) drilling company with its own 14-story office building in Mexico City and close ties to Pemex. He repeats the current thinking in Mexico today: "What we need is a strong industry that is also able to export, like the Japanese have done." His company is going into the manufacture of oil drilling tools and equipment. The largest construction company in Mexico, Grupo ICA, does $500 million of construction business a year, 20% of it outside Mexico in Latin American countries. It is going into the production of turbine generators, in a government-supported joint venture with Hitachi.

The Alfa Group of Monterrey is Mexico's largest private company, with $620 million in revenues. It produces steel, televisions, chemicals and paper, and it is developing an enormous tourist oper-

ation at Las Hadas in Manzanillo. It also is going into a joint venture with Hitachi to produce electric motors, initially for the internal market but later for export. Everardo Elizondo, its Harvard-educated vice president-economics, says: "Many of our industries are unable to face competition today. But tell them they will have to and let them prepare for a year, and they will be ready."

Elizondo goes on, "That is one of the very good points about the oil money: We can use it as a buffer for structural change, as a cushion against external imbalances and to funnel into new ventures to update Mexican industry and technology." Alfa's economists foresee Mexican economic growth accelerating to 8% a year in 1980 and 1981.

Note his choice of words: "cushion," "funnel." No talk of vast wealth descending on Mexico from petroleum *exports*.

When you think about it, it's a natural for Mexico to use the oil and gas to upgrade its industry. The country now has abundant supplies of cheap energy the way the developing U.S. once did. Natural gas is priced to Mexican industry at 35 cents per mcf, oil products for industry are priced at one-fourth their "world market" value. (Significantly, gasoline for passenger cars is fully priced—at 80 cents a gallon. Mexico's priority is industrial development, not personal consumption.) Lord knows, Mexico has abundant low-priced labor. The minimum wage in Mexico is 78 cents an hour, 27% of the U.S. rate.

The upshot, says Under Secretary Hernandez at the Secretariat of Commerce in Mexico City, is that Mexico wants all future joint ventures with industrial firms from developed nations to produce for the Mexican market *and* for export.

This attitude on the part of Mexico has profound implications. U.S. politicians and journalists are already looking past Mexico's near-term production targets—2.25 million barrels a day, 1.1 million for export—to a day when Mexico can produce 5 million barrels, perhaps 10 million (the U.S. currently imports over 8 million barrels a day). Mexico's wry reaction to such expectations is best expressed by Cesar Baptista, subdirector of industrial production for Pemex, a petroleum engineer with 36 years' experience in Mexican oil. "We find our future oil policy being made in the Washington *Post* and *The New York Times*," says Baptista. Mexico, in fact, is saying nothing about its long-term production plans.

But it has taken counsel from the World Bank, which advises a moderate buildup of oil and gas production so as not to inundate Mexico's economy with oil money. The U.S. Embassy in Mexico City estimates that by 1985 Mexican production will be no more than 4 million barrels a day. Calculate that half of that will be exported—2 million barrels—and that the U.S. will get some 60% of those exports, and the outlook is that in the mid-1980s some 15% of U.S. oil imports could come from Mexico. That's about the same percentage of our imports as Saudi Arabia or Nigeria now give us. So Mexico will become a leading supplier of oil to the U.S.—but not a sole supplier or anything near it.

The even more sobering implication is in Mexico's plans to make its industries competitive and to export. The obvious market is the U.S., which today takes 65% of Mexico's exports. The U.S. and Mexico last year did about $7 billion worth of trade. The balance, on figures for eight months, was fairly even: $2.34 billion in Mexican exports coming to the U.S.; $2.52 billion in U.S. exports to Mexico. That trade is going to double in the next couple of years. We will be taking in roughly $5 billion worth of Mexican energy—$1.8 billion in gas and another $3 billion for 660,000 barrels a day of oil, double today's level of 320,000 barrels.

No great worry about that. U.S. exports to Mexico will expand in response to the neighboring country's accelerating development. But for the products of that development Mexico wants a new kind of trade deal with the U.S., a *quid pro quo* as it were, for producing and selling us the energy. Mexico wants the U.S. to open its markets to Mexican goods, not just today's tomatoes but tomorrow's steel and chemicals and electrical goods.

That is what the Mexicans mean when they say Mexico wants to be a partner and when Under Secretary Hernandez talks about a new kind of venture which would be allowed port. López Portillo is going to ask my Carter for a new U.S. trade p one which would encourage U.S. co nies to produce in Mexico—in pa ship with Mexicans—for export ba the U.S., as many American firm now in Korea, Taiwan, Singapore, the Carter Administration—can U.S. administration—deliver on given the hostility of U.S. trade unio what they regard as the produc "cheap labor"? The answer is: It wil to if we expect the Mexicans to b operative on energy.

If such *quid pro quo* is possible, p in the southwestern U.S. may one soon be driving a fair number of M can-made Fords and Chevys (the Americans now drive cars made in ada). Mexican petrochemicals could have an edge on U.S.-produced ones en the Mexican advantage in natur costs. Mexican steel is already co into the Houston market.

The Mexicans realize that a vast trade agreement would be the ha thing for Carter or any other U.S. p dent to deliver. But they are going t for it because they need the U.S. m for their future manufacturing even than they need it at present for winter vegetables.

Old-fashioned Army drill serg once shouted at sloppy recruits: guys look like the Mexican Army!" attitudes, though no longer openl pressed, die hard. But the Mexican really was that pleasant fellow sle off his tequila binge under a cactus industrial, yes. Lazy, no. At any rat new Mexico is better represented b people and factories of Monterrey—ing for all the world like a Pittsbur embryo—than by *campesinos*. And about time the Mexicans gave up b ing the *gringo* for all their troubles—though U.S. behavior on the gas dea nothing to dispel the old prejudice.

"We need a self-confident Mexico a hostile one. Energy gives Mexic confidence to deal with us on a equal basis," says a young official o U.S. National Security Council.

As if responding to such thinking nando Garza in his cluttered office a Pinos, the Mexican President's of residence, says with some passion i voice, "Now the possibility exists Mexico will have the money for fina self-determination."

No, the Mexicans are not going especially obliging. We got ourselves our energy mess and they have no i tion of bailing us out of it. But the o tunity exists for fruitful cooperatio tween equals. Let us hope that Rosa Carter's Spanish is at its best whe and her husband journey south o border next month.■

Uncle Sam as seen in Mexico's Excelsior
New treatment for a good neighbor?

Supreme Court has narrowed the anti- grounds on which business can be sued. ly Kennedy is making an issue out of it.

A litigation free-for-all?

N 1973, ground was broken for a brary on the Northern Illinois ity campus in De Kalb. The Illinois had let a $10 million t, for which a masonry subcon- purchased thousands of dollars' f concrete blocks. It later turned t the price of those blocks was a price-fixing scheme involving ufacturers, all of which pleaded est to federal charges of violating t laws.

tate's attorney general, on behalf tate and 700 localities, sued the ufacturers for more than $9 mil- treble damages, and a U.S. dis- urt ruled against the state. That was reversed by a court of ap- Eventually, the U.S. Supreme heard the case, known as the Brick Co. case, and ruled in 1977 e state and localities could *not* damages. Why? Because they buy the concrete blocks directly manufacturer.

, the highly technical Illinois ecision has become a political he National Association of Attor- eneral estimates that $500 mil- pending suits filed by state gov- ts alone will not even get a day in ecause of Illinois Brick.

tate government of Texas is in e boat as Illinois. Between 1969 73, the state bought about $40 worth of reinforcement steel bars el wholesalers for use in highway er building projects. In late 1975 y 1976 nine steelmakers, includ- . Steel and Armco, pleaded no to federal bid-rigging and price- harges. Fines totaling $556,500 vied. The state alleges the price- ost it about $10 million. But be- the Illinois Brick ruling, there's the state can do to recover: A uit was thrown out of court be- e state did not buy steel directly e manufacturer.

did the Supreme Court arrive at ois Brick decision? Certainly not ny misguided sympathy for busi- rongdoers. Justice Byron White, a conservative on business is- gued for the six-man majority,

Senator Ted Kennedy
Should states be able to sue?

saying basically that it is too difficult to determine who paid the inflated price: A middleman might well absorb some or all of an overcharge. The court was also concerned that if everyone down the supply chain sued for three times the overcharge, excessive settlements might result. In short, the consequences might be out of all proportion to the benefits to society.

All manner of lawsuits could result if the courts would hear them. Take the one launched by Glenn Freie, a 45-year-old farmer who raises 150 head of cattle and 1,200 hogs in Latimer, Iowa. On behalf of 500 cattlemen, he brought a class action suit against 18 food chains, charging them with conspiring to depress prices paid to farmers for live cattle. Stripped of legal niceties, the effect of Freie's action might be to hinder food chains in haggling to bring down meat prices. The result, of course, would be higher beef prices for the consumer, since hard-pressed supermarkets have no choice but to pass price increases on to the consumer (FORBES, *Jan. 8*). A U.S. district court threw the case out on the grounds that the farmers didn't sell to the food chains, but to meatpackers.

Some court watchers say the justices' real concern in the Illinois Brick decision probably was one close to Chief Justice Warren Burger's heart: reducing the workload of federal courts. Burger certainly has a point—a favorable decision for the plaintiffs in the Illinois Brick case might well have encouraged suits like that of the beef farmers.

However, an alliance of consumer groups, small businessmen and cattle farmers is pushing Congress to reverse the Illinois Brick decision. This *ad hoc* group feels that the people who are actually injured, the final users, cannot sue. While the middleman can sue, they claim it is unlikely he will. The groups argue that a middleman won't want to irritate his suppliers and, besides, the middleman might well suffer no loss if he merely passed on the rigged prices.

Not surprisingly, business lobby groups, such as the Business Roundtable, National Association of Manufacturers and U.S. Chamber of Commerce, oppose legislation to reverse the decision. They believe every price-fixing case could become a tugging contest to decide who passed what on to whom. "The legislation would open the floodgates for a morass of litigation, particularly class action cases," Roundtable attorney Boyden Gray points out.

Still, businessmen have not heard the last of the matter. Prospects are fairly good that Congress will reverse the decision. As chairman of the Senate Judiciary Committee, Senator Ted Kennedy (D–Mass.) has vowed that the legislation will be given a top priority. "The Illinois Brick opinion has virtually immunized large manufacturers from the antitrust laws and they will not lightly give up this newfound immunity," he told the Senate.

There are issues here that touch upon the public's right of access to the courts—and they should be faced. But there are also practical questions.

If such a law were passed and if it deterred potential price-fixers, there would be benefits for the public. But the one sure winner would be the lawyers, who would reap fees both from prosecuting cases and from defending businessmen and advising them on how to avoid liability. The cost, of course, would be passed on to the general public in the form of higher prices. It always is. It's part of what people call "inflation." ■

The possibilities for making a profit off the U.S. government without giving the taxpayers much of a bargain are wondrous and manifold. Meet Hugh Pike.

Hugh Pike vs. "Uncle Sugar"

By Paul Blustein and Norman Pearlstine

BROKE. That's the word Hugh Pike uses to describe his status eight years ago. Pike, then 33, was not about to starve; but he needed a job, a new *kind* of job, fast. There was no going back to his old field, the securities business. A stiff decree from the Securities & Exchange Commission had seen to that.

He found what he was looking for. Today Pike, a millionaire, lives in the comfortable community of Woodland Hills near Los Angeles, has a condominium at Lake Arrowhead, Calif. and takes frequent junkets to Europe. He hobnobs with important political figures. The chief source of Pike's new prosperity: Realty Investment Associates, a firm of which he is president and half-owner, which manages over 20,000 apartment units in 21 states and which earned over $1 million in 1978. In a few short years Pike's firm has become one of the nation's largest managers of low-income and conventional apartment projects. Along the way Pike helped package millions of dollars' worth of tax-shelter deals for investors.

How did a defrocked stock salesman make so much money so fast? How did he learn a new trade so quickly? The answer to both questions is that he moved into that nebulous area where private enterprise and government enterprise meet, an area where many businessmen simply do not feel at home.

Hugh Pike's story is a story for our times, for his fortune would not have been possible without the generous help of what Pike derisively calls "Uncle Sugar"—the United States government, particularly the Department of Housing & Urban Development. Pike's business is, in the somewhat hyperbolic words of one man who has observed his ascent closely, "a microcosm of just about every scheme that has been thought up to make a buck out of government activity." He might have added: "and to cater to the public's mania for beating the tax collector."

Hugh Pike of Realty Investment Associates
A not-so-warming rags to riches tale.

Lately the relationship between Uncle Sugar and his nephew Pike has turned acrimonious. The Inspector General of HUD, the SEC and even the Federal Bureau of Investigation have launched probes into Pike's operation. HUD has referred at least one matter to the Justice Department for possible criminal prosecution. Pike, in turn, has filed suit against HUD charging "arbitrary and capricious action."

The federal investigations have produced no indictments so far, but their very existence has caused some political rumblings: When word of them leaked out last autumn, the reelection bid of California Lieutenant Governor Mervin Dymally, a leading black politician, was dealt a serious blow—because Dymally was a Pike business associate. Dymally went on to lose in November.

Pike has filed a $15 million libel suit against *CBS News* for a report about him and Dymally—and that's just one of dozens of lawsuits flying back and forth in the tempest surrounding Pike. Another suit involves a $600 million complaint against Pike filed by a former top official of Realty Investment named Burton Sanborn. Sanborn claims that Pike's company defrauded him by absorbing San-

A Pike-run HUD project in Los Angeles
Subsidies piled on top of subsidie

born's company in a merger and failing to honor agreements to pay born's debts. Sanborn also accuses of having misused federal funds fo sonal expenses such as travel cost gifts, and of having used investor as collateral simultaneously at thre ferent banks.

A case of a conscientious emp quitting and courageously exposin boss? No, the evidence suggests t more an example of the pot callin kettle black. Sanborn himself has sued by banks and investors for pl fast and loose with their money.

Whatever the merits of Sanborn's Hugh Pike clearly attracts controve

To make matters even more in ing, packages of documents relati Pike's supposed wrongdoing have mailed anonymously to federal ag real estate figures and employe

ompanies. FORBES began receiv- documents after it started work story. Many recipients of the s believe Sanborn is responsible , but Sanborn denies it.

Pike—as did FORBES—and you understand both why he became ssful and why he made so many . A large, booming, driven man, ooze southern charm one minute pt in frightening fury the next. ted a FORBES reporter with loud, nt threats to file a libel suit, but rs later was all cordial gentle- ss.) "He does one helluva job sell- self," says one former employee, his head bemusedly. Among the es that Pike enjoys dropping is her than Jimmy Carter. On his all are handwritten letters from long with a picture of Pike and ogether. Pike claims his friend- ship with Carter began many years ago when Pike was growing up in Georgia.

Along with his charm, forcefulness and Jimmy Carter photos, Pike is well supplied in the self-confidence department. In 1971, when he decided to enter the real estate field, he had had no prior experience in running properties. But he did have gumption. "I interviewed a couple of management companies and became convinced that the level of competence in property management wasn't very high," Pike says. Beginning with one ten-unit apartment building in Los Angeles, Pike started his own business.

By 1975, Realty Investment had about 2,000 units under management, all in southern California. Then Pike doubled his firm's size by plunging into government-subsidized housing.

At the time, bureaucrats at HUD were delighted. "We thought Pike could be the messiah who would clean up the mess we had with a lot of troubled projects in Los Angeles," recalls one man responsible for collecting federally backed mortgages. "No one else would touch them. He sold everybody on his ability to turn things around." Quite a challenge for a firm so new on the real estate scene.

Pike's firm took over scores of financially troubled HUD-backed and conventional projects in 1975, 1976 and 1977. By early 1978 Realty Investment had around 24,000 apartment units under management, 12 times the 1975 figure. Why would a real estate management firm be so eager to snap up distressed properties that more seasoned realty firms shunned? The answer seems to be that whereas conventional realtors saw a piece of *property*, a poor one, Pike saw instead a packageable tax shelter. Not for nothing had he worked ten years as a

stockbroker and mutual fund wholesaler.

Here's how Pike worked. Distressed properties, by definition, means properties whose cash flow is insufficient to service the mortgages. HUD likes to boast that it has a low foreclosure rate. What it doesn't like to admit is that it is sitting with a good many delinquent properties where it chooses *not* to foreclose. Instead of foreclosing, HUD frequently prefers deferring interest or principal payments in a way that no private lender would.

Pike sniffed an opportunity here. Why not expand his realty empire by offering to take over such projects? Of course, he would have to get HUD to agree to scale down mortgage service. HUD was willing, but only if the new equity owner put up fresh capital. It was looking for private businessmen who would keep the properties going even if it meant some loss for the government; HUD does not want to be a landlord. Raising the new money turned out to be more of a boon than a problem to Pike, thanks to the magic word: tax shelter.

Real estate—in particular, low-income housing—is just about the last of the great tax shelters left. The Tax Reform Act of 1976 put a damper on many popular shelter deals like movies and oil drilling. So doctors, dentists and wealthy businessmen have in recent years ponied up millions for the few investments that still offer big "front-end" writeoffs in the early years of the deal.

A typical tax shelter deal involving federally assisted housing works like this: A limited partnership puts up, say, 10% to 25% of a project's cost in equity capital; the rest of the cost comes from the project's mortgage. For putting up the initial equity capital, the limited partner-investors get to claim nearly 100% of the project's depreciation. Rental income from the project goes mostly to paying operating costs and debt service—there may be no dividends. But who cares? An investor might claim over $2,000 in tax writeoffs in the early years for every $1,000 in cash he puts up; if he's in the 50%-plus tax brackets, he gets his money back in tax offsets and still has a piece of the action.

In many deals Pike and his associates put together, the tax leverage was even greater than in the average real estate shelter. Pike took over a number of rehabilitation projects, which tend to be far riskier than new construction but can be written off in just five years. In other cases, where HUD was desperate to hand projects over to new management, Pike was able to persuade the bureaucrats to let the new investors put up well under 10% of the mortgage. Investors in some of these deals have claimed $3 of writeoffs for every $1 invested.

But surely there must be a catch. Of course there is. Low-income housing is a risky business. If a project fails, and the mortgage holder forecloses, an investor can really get stung. The difference between his accelerated depreciation writeoffs and the regular straight-line writeoffs suddenly becomes taxable income at ordinary rates. Instead of escaping taxes, the investor may wind up facing a huge unexpected tax liability with no cash to pay the taxes.

But that's mostly a problem for the investors—not the syndicators, brokers and lawyers who collect huge fees for putting the deals together. FORBES readers will recall one man with a reputation for peddling shaky deals—namely, A. Bruce Rozet (*"The Robin Hood Game,"*

A. Bruce Rozet
A key Pike adviser has a spotty record.

FORBES, *Oct. 1, 1976*). What does Rozet have to do with Hugh Pike? Plenty. First, Rozet had been largely responsible for selecting and managing the horrendously troubled Los Angeles HUD projects that Pike took over in 1975.

Since the time that Pike took over Rozet's projects, Rozet has remained one of Pike's closest associates. It has been a profitable association. In one tax shelter deal where investors put up $500,000, for instance, Pike and Rozet split a $150,000 finding and consulting fee.

"For all of the things people say about Rozet, good, bad and indifferent," says Pike defensively, "he has proven to me to be a tremendous structurer of a deal." The SEC apparently thinks that "tremendous" isn't the most apt word to describe Rozet's deals. In 1977 Rozet signed a consent decree with the SEC after it charged him with numerous violations of securities laws in connection with his housing tax shelters.

Pike, too, has had his past problems with the SEC, which accused him of securities law violations in connection with stock sales of Minnie Pearl's Chicken System Inc. and other companies. In 1971, before he got involved in real estate, Pike signed a consent decr ring him from associating wit broker-dealer. Investors in most real estate deals that Pike hel syndicate, however, were nev formed of the decree; nor was H until Burton Sanborn's lawsuit dr tention to it. "I went to an at here in Los Angeles," Pike ex "and he determined that it wa necessary [to disclose the decree]

Legalities aside, what abou economics of Pike's tax sh A number of people familia Pike's operation say he and his asso often selected projects for syndi without paying much attention t long-term financial viability. "In T says one former insider, "they wer dicating any distressed property th for sale. Are you going to turn d $100,000 syndication fee, after all?

"Pure bull," Pike storms. In cases, he admits, nasty surprises t up when he took over projects th been sold off to investors: unpaid taxes, unpaid debts, and the like. B says, things were patched up and tors aren't unhappy.

"I'm not so sure that investors w business with guys like this do so b shrugs a man who is otherwise crit Pike. "They are buying paper that them a tax loss. They don't give a about next year." Probably so, in cases. But what if those precious d tions are questioned by the Interna enue Service? The giant front-end offs claimed in some of these dea get pretty dicey.

An even bigger question than the ity of Pike's tax shelters: What taxpayer getting for the big tax wr that Pike promises his followers? the mortgage relief that HUD gran for the management fees his firm from HUD-backed projects?

In *theory*, there's nothing wrong this kind of taxpayer generosity—a not if you accept the premise that *one* has to provide housing for the and that government ought to sub businessmen to do it. Didn't Hugh offer to take over some troubled ho projects and find money to assist He certainly wouldn't have done so out the lure of subsidies.

But the taxpayers can easily get a by deal. If the projects aren't car selected, planned and managed, subsidies often have to be piled on subsidies. That's apparently why last year tried to foreclose on s Pike-run projects in Los Angeles. being stymied by Pike's lawyers in HUD later agreed to allow ext mortgage relief on most of the pro Meanwhile, HUD has not allowed firm to take over any new projec some time now.

Pike is especially bitter about H

toward him. "HUD apparently
theory that profit, and bigness,
onymous with badness," he says,
o control his anger. But HUD has
p with some substantial beefs
Pike's management techniques
ayer-supported projects. For one
ike was found to be pledging ten-
curity deposits as collateral for
ans—a clear violation of HUD
ons, despite Pike's protest that
ns were for the benefit of the
Pike repaid the loans and prom-
halt the practice. HUD auditors
so alleged that Pike's manage-
rm overcharged projects hun-
thousands of dollars for goods
vices. Pike furiously contested
ts, and the amount paid back to
ects was reduced to roughly one-
the alleged overcharges.

t these disputes may seem like
leasant skirmishes compared
ith a battle that is looming be-
Pike and HUD on yet another
Ire's what happened: The own-
veral dozen HUD-supported proj-
oss the country recently fired
rm as manager. But Pike got his
Before handing over the proj-
nk accounts, he had the projects
usands of dollars in old debts
them to a firm called Symbol,
vned by Pike. An exasperated
fficial two months ago ordered
pay back the $23,000 he had paid
from one such project in Mobile,
he mortgage, now held by the
nent of Housing & Urban Devel-
has been in default since May
he official wrote. "Only $125.93
in the project account. The proj-
been left without funds for main-
mortgage payments, or even to
e current payroll."

tart response: "Tell him to get a
nd a lawyer and let's go. Damn,
y Larry [Lawrence Hill, a Pike
t $125 in that account. We have
ken from those projects any
of money which we are not enti-
But according to HUD officials,
ional Housing Act expressly for-
one to cause a government-sub-
project to make payments other
se "actual and necessary [for the
] operation" when its mortgage
ault. HUD's general counsel has
the matter to the Justice Depart-
or legal action, possibly even
prosecution.

now says he wishes he had never
nvolved with Uncle Sugar in the
ce. "The bureaucratic process is
densome," he grimaces. "What
all this money if you've got to
your time in the courts?"

while, top policy makers at HUD
ne midst of a long look at their
s designed to rescue troubled
me housing projects. They are
wondering whether turning to people like Pike is the best answer. "We are examining all sorts of ways to bring these projects back to viability," says HUD Assistant Secretary for Housing Lawrence H. Simons, "and not only those methods involving private ownership; we're looking at tenant ownership, cooperative ownership, community ownership, all sorts of things." What's more, HUD is trying to create new regulations which would require tax shelter syndicators and investors to have more of a stake in the long-term viability of the projects they take over.

The real lessons of the Hugh Pike affair, however, transcend specific problems with specific policies, and leave one scratching one's head in wonderment. His peculiar, meteoric success was the product of the modern welfare state's tangled agglomeration of grants, loans, guarantees, offsets and other subsidies. The fascinating, disquieting thing about Hugh Pike is that his business is so complicated, the means by which he exploits government largesse so diverse. It is tempting to point to chunks of evidence here and there and say that he seems to be involved in a hustle that enriches him and impoverishes the rest of us. But the blame for that isn't his alone. ■

TASTE
BEAM'S PREMIUM SOUR MASH.
YOU'LL NEVER DRINK
ORDINARY WHISKEY AGAIN.
You're in for extraordinary pleasure every time you enjoy the extraordinary taste of Beam's Premium Sour Mash. Choice corn, rye and barley enrich its flavor. So do 101 months of barrel aging before it's charcoal filtered.
The secret Beam recipe works a miracle of flavor that we bottle as 90 proof Beam's Premium Sour Mash Black Label. Ask for it by name.
AMERICA'S FINEST PREMIUM WHISKEY. TASTE IS WHY.
90 PROOF
BEAM'S
SOUR MASH
Black Label
AGED 101 MONTHS
Kentucky Straight Bourbon Whiskey
CHARCOAL FILTERED

The Forbes specials for 1979

JANUARY 8

The FORBES Thirty-first Annual Report on American Industry

This annual reference issue analyzes more than 1,000 of America's largest corporations based on the exclusive FORBES statistical yardsticks of management performance. Companies are ranked in the following lists: profitability, growth and stock market performance. These leading firms are also arranged by industry groups and sub-groups and ranked against their competitors.

An accurate and often-used start-of-the-year guide to who is where in the major management community—and why.

PUBLISHED

Try for 1980

MAY 14

FORBES Eleventh Annual Directory to America's Leading Corporations

The Annual FORBES 500s present the most complete record of the year on American Business. Filled with facts, figures and editorial evaluations on the progress of about 800 companies, special emphasis is focused on the top 500 companies in assets, sales, net profits and stock market value. From banks to utilities, the Directory ranks all companies and spotlights management performances. Useful guidelines for understanding long-range trends are included in this valuable reference issue.

A reader service card will be available to all advertisers in the issue.

Closing date for all advertising:
April 9

AUGUST 20

FORBES Twenty-fourth Annual Mutual Funds Issue

An insightful guide for astute investors, the Annual Mutual Funds Issue spotlights those funds which are outperforming the averages and earning their fees. A detailed, statistical analysis is provided to measure both the long-term and short-term performances of more than 400 different mutual funds. A special analysis of an additional 200 newer funds is also included.

A reader service card will be available to advertisers in the issue.

Closing dates:
Black and White: July 23
Four-Color: July 16

PRIL 30
ORBES 1979
nnual Report
dvertising Section

e's the ideal place to advertise your annual ort to FORBES' investment-minded audience % of FORBES' subscribers own corporate k with an average value of $232,000 and help make investment decisions for others). he 1978 Annual Report Advertising Section erated a total of approximately 825,000 onses for 163 advertisers. It is an inexpen- and highly efficient means of putting your porate story into the hands of those who are vely involved in the stock market.
ll advertisements displayed in the section only $1,580 for ⅛ page black and white s.
reader service card will be available to all ertisers in the Annual Report Advertising tion.

sing date for copy and illustration:
rch 16

CTOBER 29
ORBES
dustrial Development
dvertising Section

multi-page advertising section is devoted usively to industrial development and t site advertisers. It is an ideal location for ertisers to reach one of the most powerful influential business audiences in America. y-six percent of FORBES' subscribers are p management, one out of six is a Board irman, Director, President or Chief Execu- Officer. Last year's advertisers in this spe- section received an average of well over 600 iries, with each inquiry including name, title company of respondent.
l advertisements in this section are mod- ely-priced at $3,180 for ¼-page black and e units.
reader service card will be available to all ertisers in the Industrial Development ertising Section.

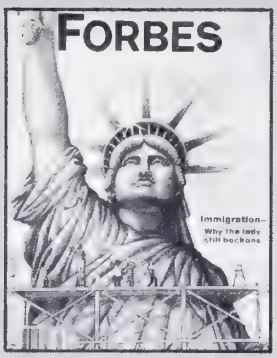
sing date for copy and illustration:
ptember 17

Three out of four corporate officers in America's largest companies read FORBES regularly. That's more than read Business Week, Fortune, Newsweek, Time or U.S. News & World Report. The high level of readership that FORBES enjoys among the most important leaders in the U.S. has been confirmed repeatedly in studies by leading independent research firms, such as Erdos and Morgan, Inc.

Top executives read and rely on FORBES because it provides them with the business information they need in making major decisions that affect the operations and profits of their companies.

Shown at left are five special opportunities to tell your corporate or product story effectively and efficiently to the most important audience of influential executives in the U.S.—and in highly compatible environments.

Plan now to advertise in one or more of these issues. Your advertising messages will enjoy the added benefit of repeated opportunities for exposure because the issues will be read and referred to frequently by those who own and run American business.



FORBES:
CAPITALIST TOOL

Great Northern Nekoosa had record net income and its stock sells below book value. But Sam Casey isn't too worried about a takeover.

Those friendly Indians

By Howard Rudnitsky

SAMUEL A. CASEY'S Great Northern Nekoosa Corp. sits on a treasure trove of timber and coal and had record net income in 1978. So, why does its stock sell below book—making it an obvious takeover candidate? One reason is that its greatest resource, 2.2 million acres of prime timberland, is under Indian attack; it's part of 12 million acres claimed by Maine's Passamaquoddy and Penobscot tribes under a 1790 law.

Formed from the 1970 merger of Great Northern Paper Co. and Nekoosa-Edwards Paper Co., GNN has a good record. Its revenues have grown from $410 million in 1972 to over $975 million in 1978. Income has tripled to about $65 million. That's despite some initial digestive problems blending Great Northern's proletarian newsprint and containerboard business with Nekoosa-Edwards' high-quality writing and computer-printout paper. Earnings dropped off in recession 1975, then climbed back, and for 1978—despite a 59-day strike last summer that cost about $10 million—will be ahead of those for 1977.

This year looks good, too: A $245 million expansion program at GNN's Ashdown, Ark. paper complex will start to pay off by the fourth quarter. An expanded mill will start spewing out an additional 280,000 tons of pulp a year, and a new machine will produce 135,000 tons of paper for the booming copier and business-forms market, in which GNN is a leader. Says Casey: "Ashdown will more than double GNN's pulp capacity. That's a big increase for us or for anyone."

At Millinocket, Me. another new expansion project will boost, by 46,000 tons a year, production of GNN's low-priced coated groundwood paper, Baxter Text, which sells for $200 a ton less than rival kraft-process papers and offers a 20% greater yield. GNN will also have the uncoated groundwood paper market all to itself for awhile longer, while its bigger rivals (it's the number six paper company) mull over the multimillion-dollar capital investment it would require for them to compete in this more limited but expanding market. In the meantime, GNN's cheaper paper is opening up new uses in catalogs, road maps and paperback books.

Down in Jasper, Ala. Casey is also expanding GNN's Brilliant Coal Co
serves: 210 million tons), whic
bought primarily as a defensive me
in 1974's oil embargo pinch. By this
at a cost of $12 million, coal produ
capability at Jasper will have incr
from 350,000 tons to 850,000 tons a
Casey hopes to get a 25% rate of r
on that investment—overly optim
perhaps, but even a good portion of
payoff would be highly profitable.

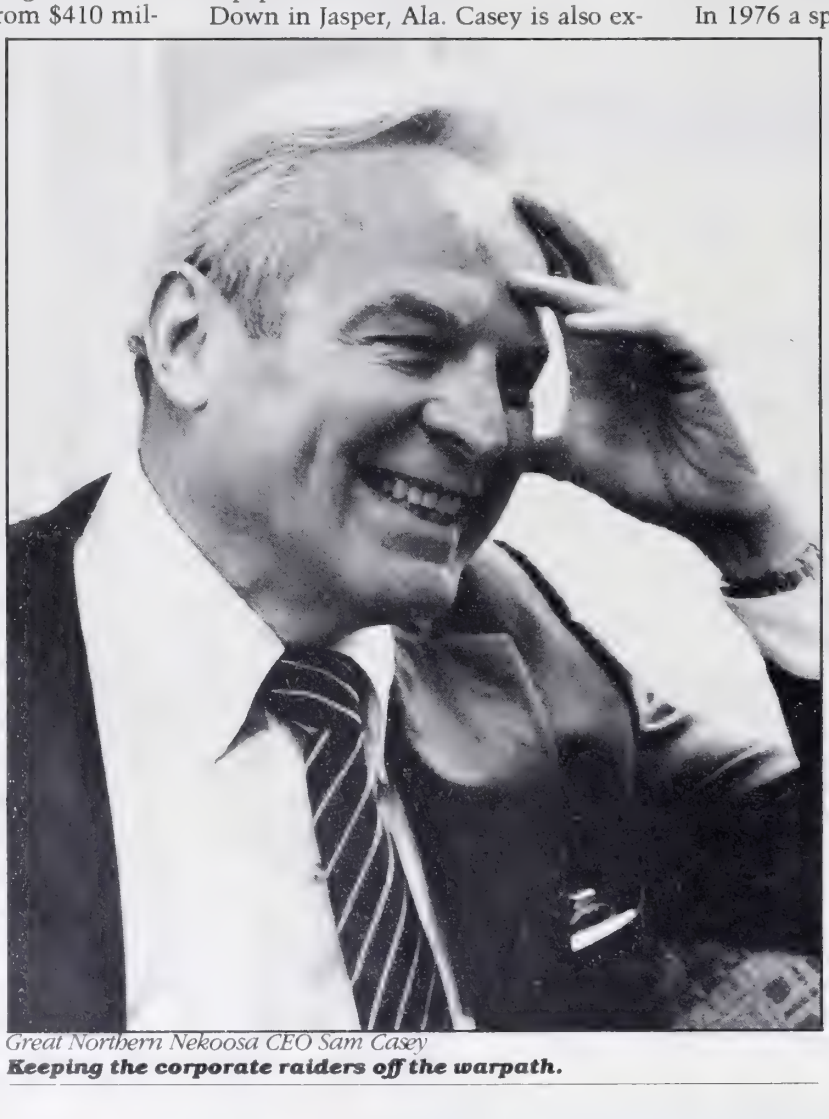
But Great Northern's greatest tre
is in those northern Maine ground
timberlands, acquired many years a
a bargain-basement $25 million.
gets about 25% of that in capital
alone in a single year merely by cu
some of the timber from time to
and selling it off. That timber is
makes Great Northern more than
another paper company.

That timberland is what the In
want. In 1972, attorneys for the P
maquoddies and Penobscots filed
against the state of Maine, chargi
had violated the 1790 Nonintercc
Act *(see box, p. 42)*. In late 1975 a fe
district court decision forced the go
ment to represent the Indians.
posed a more serious threat to land
ers like GNN.

In 1976 a special federal mediato
a White House task
made two attempts t
tle the issue, with th
dians rejecting one
the larger landowner
other. A third prop
under which the U.S.
ernment would pay th
dians $27 million and
100,000 acres of lan
market value to giv
them, has been appr
by the landowners.
two tribes are expecte
vote shortly.

They might reject
deal. "I wouldn't be
surprised if they did,"
GNN President Rc
Hellendale, who's in
to succeed Casey as
when the chairman
tires at 65 next Oct
"It would probably
tactical, not a fundar
tal, rejection. After
they could lose everyt
in the courts."

The important thin
GNN's view is that
government is tal
about recompensing
landowners—and a
taking a good deal
than 12 million acres.
then, shouldn't Casey
worried about a poter
takeover bid? G
Northern is not only



Great Northern Nekoosa CEO Sam Casey
Keeping the corporate raiders off the warpath.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

9 mg. "tar", 0 .8 mg. nicotine av. per cigarette by FTC method.

© 1979 B&W T Co

Introducing *Rich Lights* from Viceroy.

Kings and 100's.

The first low 'tar' cigarette good enough to be called *Rich*.

No laughter, please

The Nonintercourse Act of 1790 is not what you think. It says Indian lands can be sold or leased only by treaty with the federal government. Under it, Indian tribes of the eastern U.S. have filed claims so far for nearly 13 million acres of mostly undeveloped land now in private ownership.

In the West, where almost all land was federally owned before it was turned into states, the act isn't the basis for Indian claims; they're usually based on alleged treaty violations. But in the East, millions of acres of Indian land were purchased or leased by individuals or states.

Some famous tribes have been suing to recover land under the act. The Mashpee Wampanoags want 13,000 acres—or about three-fourths—of the Cape Cod town named for them. The Oneidas claim 246,000 acres in upstate New York worth at least $123 million. (They claim another 5.5 million acres under two treaties, the Constitution and the Articles of Confederation.) The Cayugas may soon settle their claim for 64,000 acres of upstate New York and the St. Regis Mohawks for an other 15,000.

Maine timberland
Indians claim 12 million acres of it.

South Carolina's tiny Catawba tribe hopes to get 32,000 acres (worth an estimated $32 million) on their 140,000-acre claim. Connecticut's Schaghticokes and Western Pequots have sued for 2,400 acres.

In the only Nonintercourse case resolved so far, Rhode Island's Narragansetts received 1,900 acres—two thirds of their original claim—in an out-of-court settlement. Congress appropriated $3.5 million to reimburse the private landowners involved. The 12 million-acre claim of the Passamaquoddies and Penobscots in Maine *(see main story)* is by far the largest.

By judicial ruling, statutes of limitation don't apply in Indian claims. Since the 1940s, the federal government has awarded nearly $2 billion in Indian cases, including the $1 billion settlement of Alaska's Indian claims in 1971. More than $800 million was awarded by the Indian Claims Commission (abolished by Congress last year).

—Alyssa Lappen

ing below stated book value of $33 a share, but for less than half the $73.37 that Oppenheimer & Co., Inc.'s Gary Palmero figures for the replacement value of its assets. Other paper companies, like Olinkraft, Inc. and Mead Corp., have recently been takeover targets at much higher prices than stated book value. At recent prices, an acquisitor could offer GNN a 40% premium and still buy the whole company for under $700 million.

Which means that if the Indian claim is settled quickly, GNN might be highly vulnerable. But if the Indians turn down the latest offer, or if Congress take time approving the deal, or if the ma drags on for years in the courts, won't find Sam Casey and Bob Hel dale shedding tears. What oil compan conglomerate wants to get involved war with the Indians? ■

Thanks to the Rockefellers, part of the U.S. economy is unshakably socialist.

Prohibition's last revenge

By Steven Solomon and Gerald Odening

LIKE SEX and politics, the subject of alcohol has often caused otherwise rational men to become irrational. It caused Mississippi Baptists to ally themselves with bootleggers, keeping that state dry into the 1960s. And it once led staunch capitalist John D. Rockefeller Jr. to advocate state socialism.

On the eve of Repeal in 1933, the teetotaling Rockefeller funded a study on the subject of liquor distribution. The study concluded that if Repeal must come, the liquor business should become a state-owned monopoly, as in Canada and the Scandinavian countries. Eliminating the profit motive, the study argued, would lessen demand for liquor and promote temperance.

Since that time, 18 states and Montgomery County, Md. have adopted the so-called monopoly or control system. States like Michigan, Ohio, Washington, Alabama, Virginia and Pennsylvania (the liquor industry's largest single customer in the Free World) control the wholesaling and retailing of alcohol. In all, state-owned monopolies sell $9 billion of the $36 billion worth of alcohol sold in the U.S. annually.

The state-owned system, of course, has become a valuable source of patronage, but what adds to the power of po cians is not so good for consumers. for competitive-minded distillers.

The public suffers from inco nience, poor product selection and some cases, higher real prices. Free m ket or "open" states have seven ti more liquor stores for only two-an half times more population than mo oly states. Product selection is gre limited, too. Only 800 to 1,000 out of 30,000 distilled beverage products m the state lists, and though the natio brands are usually available, regio brands dominate the inventories.

Prices vary depending on state po but, on average, monopoly and op state prices are nominally about same—what's absent in monopoly st are the specials, discounts and pro tions which boost distillers' ma share and give consumers a price bre

Predictably, consumption under state monopolies is lower. John D. right. But other moral issues as seriou temperance have developed with monopoly system: cronyism at best, c ruption at worst. The market is c trolled by politics, not competition. the words of one distiller: "The nam the game is friendship, not product."

e distiller's fate rests chiefly in the
s of the state liquor commission,
lly three people appointed by the
rnor, who decide what products are
d or scratched from state lists.
ne of these commissioners are little
ods," says an industry man. "When
talk to them, they pontificate."
influence commissioners, distillers
represent themselves through peo-
who are well connected in the state—
llery salesmen or local brokers. It's
ncommon for a broker (who acts, in
, as a wholesaler without the risk of
housing an inventory) to have held a
ion in the state monopoly (or to
a relative or close friend who does),
have been a distiller's representa-
for many years. One example: Jerry
n, former Montgomery County,
commissioner and now one of the
ty's largest brokers. A good liquor
er in a monopoly state can earn be-
n $30,000 and $70,000 a year if he
he top lines. But even a good broker
suffer a sudden change in fortune
a new commissioner comes in.
metimes the temptations become
great to resist. A scandal recently
e out in West Virginia involving al-
bribery payments by distillers to
officials. Oregon's top liquor official
ned after accusations of favoritism.
FBI investigation is under way in
Hampshire.
r or no, some distillers actually pre-
oing business in monopoly states.
monopoly system makes small com-
es equal to big ones. Says a control-
manager of a smaller company: "A
can tell a Seagram's or a Heublein
to hell—they can't use their muscle
." Nor can an aggressive distiller
ompete another for shelf space and
et share through the usual means of
handising and advertising.
the 46 years since Repeal, not one
has given up its liquor monopoly
nas an open state gone control). The
ces are, none will in the foreseeable
e. The only way there may be a
ge is if the monopoly falls due to its
inefficiencies. Many states work
gh obsolete warehouses, have poor
ntory control and pay store clerks
vagant civil service wages and bene-
Clerks in Pennsylvania earn up to
00 a year (managers over $20,000);
labama they earn $11,000 and in
ington $12,000.
e monopoly system is so inefficient
nnsylvania that a state report con-
d that profit margins had decreased
0% in the last decade and would be
xistent in the early 1980s. While
ting the report's accuracy, State
or Commissioner Henry Kaplan ad-
d to FORBES: "If you took a survey
ennsylvania today, I'd assume an
whelming majority would favor go-
rivate." In fact, there *was* such a

State-controlled New Hampshire border liquor store
Generating state income, not temperance, is the raison d'être.

movement back in the early 1970s, but the powerful retail clerks union killed the bill in the legislature.

Not all monopoly systems are inept. New Hampshire runs a cut-rate, modern self-service store system—with the largest stores poised on its border with Massachusetts. Some 55% of New Hampshire's sales come from the pockets of out-of-state residents, and out of the mouths of private merchants in neighboring states. In fact, the situation has flared into a small-scale war, with Connecticut and Massachusetts deploying undercover police to identify "bootleggers" and New Hampshire retaliating with state troopers to keep them out.

Over the years state liquor monopolies have tended to forget that their *raison d'être* is to promote temperance and have instead concentrated on raising money for the state. The result is an anomaly: a state monopoly that is a source of political patronage and can cover most of its inefficiencies through increased prices. For these reasons, it's inconvenient for the public, unhealthy for the industry—and unlikely to be changed. ■

Anti-Prohibition cartoon, 1930
When the Noble Experiment failed, the drys turned to socialism.

Never mind the national ratings, Notre Dame is still a powerhouse when it comes to winning football profits.

Take the money and run . . . and pass

ON THE SCOREBOARD at the end of the Cotton Bowl football game in Dallas on New Year's Day, it was the University of Notre Dame 35, University of Houston 34. On the profit-and-loss sheet, Notre Dame's score was even more satisfactory.

At a time when many college athletic directors are at their wits' end coping with soaring costs, Notre Dame remains in good shape. Even before it shows up for the post-season games like the classic in Dallas, Notre Dame ordinarily takes in nearly $3 million in regular-season football revenues. With an additional $670,000 from other sports (mainly basketball), it easily covers the cost of its total athletic program, $3.3 million, with about $270,000 to spare.

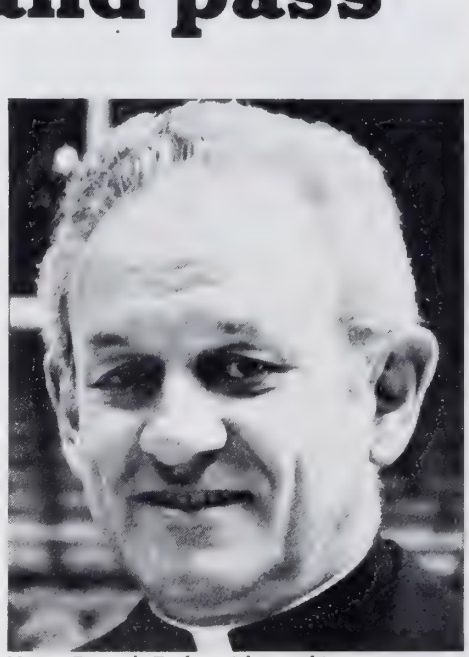
Its $1.2 million share of the Cotton Bowl receipts came on top of that. Unlike Houston, which had to split its $1.2 million share with eight other members of the Southwest Conference, Notre Dame, which has no conference affiliation, kept it all. It cost some $300,000 to go to the Cotton Bowl, so there was a whopping surplus, which goes to minority scholarships and other academic purposes (the regular season's surplus went into general revenues).

For decades after the legendary Knute Rockne—a sometime chemistry instructor and full-time football genius—helped transform Notre Dame from a little midwestern Catholic school into a national institution, the Holy Cross Fathers who run it had a deep aversion to post-season football promotions. It's possible that if the cost of running a big-time program hadn't escalated—coaching and other salaries alone now come to $300,000 a year—Notre Dame would be avoiding them still. But since it reversed that policy in 1970, Notre Dame has been in a post-season game every year save This year, although they finished regular season with 8 wins, 3 l ranking no higher than ninth in the service polls, the Fighting Irish wer really in doubt that someone woul them to play on New Year's Day.

Still, the good Fathers are gl about the future of college athl "College football may have disapp completely in the next 20 years, Reverend Edmund Joyce, Notre D executive vice president, says Competition from professional fo teams is one reason. Explains F Joyce: "The University of Minnes having terrible problems. Northwe can't attract anyone to its stadium Miami is having difficulties against the Dolphins."

Another big problem, Father says, is that the newly proposed go ment guidelines for Title IX of the E tion Act of 1972 require a univers spend proportionately as much o women's athletic program as it do its men's. There are some exceptio these guidelines, but there are no the case of football scholarships, f ample, on which Notre Dame s more than $500,000 a year. Thu would have to come up with a con able sum for women's athletics i guidelines were put into effect.

Father Joyce is not unsympathe the purposes of Title IX. "Where a versity is spending general revenu subsidize football," he says, "it s fair that they should spend the proportionate amount on wor sports." But he feels that schools Notre Dame, which spends about $2 lion on football to produce nearly $3 lion in revenue, cannot survive u Title IX with their programs intact. less special consideration is given t enue-producing sports," Father says, "it's going to do away with time college athletics." ■



Notre Dame's Father Edmund Joyce
How to win no matter the score.

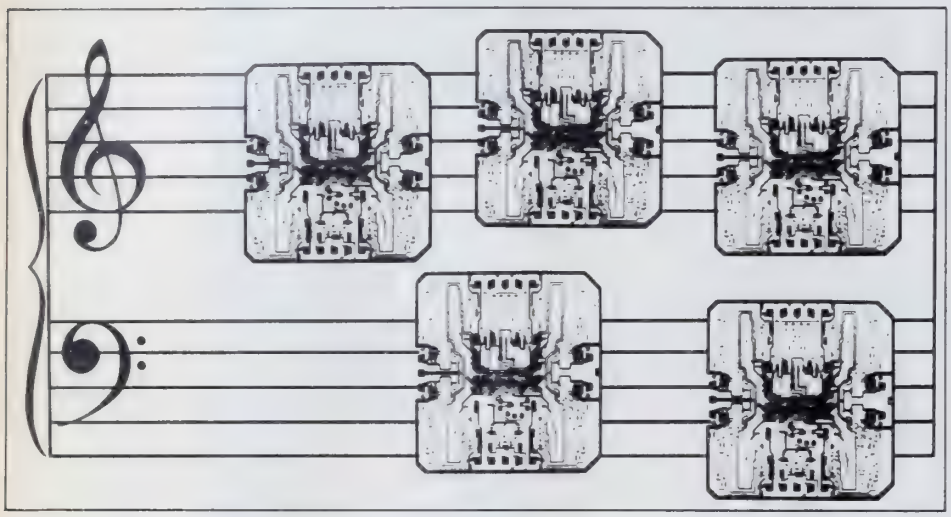
The Fighting Irish take the field
Little did Knute Rockne know that part of his legacy would be a positive cash flow.

The best salesman Cadillac ever had.

You're looking at it. It's the car itself that creates a satisfied Cadillac owner. And there are so many of these that Cadillac leads all U.S. luxury car makes in repeat ownership. In fact, it's the best-selling luxury car in the nation. The confidence in knowing that seven out of ten who buy the car stay with the car. That's Cadillac.

Electronic musical instruments are booming, but nobody's making much money in them.

Sharps and flats in an old song



WHEN THE FIRE-BREATHING, ter-rock band Kiss played b 40,000 screaming Japanes Tokyo's Budokan arena last April, stage was loaded with $100,000 wor guitars and drums and $22,500 wor speakers and amplifiers, all of which projected through a $1 million sound tem. Music? Or sheer noise? The tronic notes should have sounded s to the new musical instrument indu

Today, 40% of the $2 billion wor musical instruments and accessories in the U.S. annually are electronic: " thesizers," the fastest growing U.S strument; computerized organs that tually play themselves; and amplifi speakers and mixers, once consid components of a stereo phonograph tem but now adapted for guitars, ele pianos and even violins.

Electronic organs equipped with grated circuit technology have c manded the largest dollar volume of instrument for over a decade. They a you to make paint-by-numbers musi companied by computer-generated c bal, maraca and castanet sounds. A nuscule business in the 1950s, electr organs, now costing anywhere from $ to $15,000 apiece, are a half-billion d market.

Other electronic instruments and cessories have more than doubled in lar volume in the past five years to $

VALUE.

It's one reason Canon's NP 500 is the copier more companies are discovering.

The Canon NP 5000 is the perfect combinatio of advanced technology and practicality. And it offers a real competitive advantage over copiers lik the Xerox 3100 and Xerox 4000.

Because not only is the sturdy NP 5000 the fi "dry" toner console plain paper copier with 11"x 17 copying capabilities. But it features the world re-nowned Canon lens, a convenient push-button dou cassette paper-changing system, plus an automati toner control, so excellent copy quality is main-tained auto-matically. All features which neither the Xerox 3100 nor the Xerox 4000 has.

Biotechnologically designed control panel

Value. It's what you get from the NP 5000 eve before you get the copies. For more details or to arrange a convenient demonstration, fill out and mail the coupon below.

Canon USA, Inc. Copier Division 10 Nevada Drive Lake Success, NY 11042

Canon®
PLAIN PAPER COPIER
NP 5000

Xerox 3100 and Xerox 4000 are registered trademarks of Xerox Corp.

ion. "Business has never been bet-" says Danny Burgauer, vice presi- of Manny's in Manhattan, where erations of musicians from Duke Ell-on to the Rolling Stones have bought ruments.

ut predictably, what seems to be hap-ng in the new electronic musical in-ment business is what happened to y industry invaded by electronics, adding machines to watches. Take hesizers, which tripled in sales be-en 1973 and 1977, to $24 million. synthesizer makes pure electronic ds. It can imitate conventional in-ments or create pitches Bach never med of, and it is now used in a large of rock music. Norlin Corp.'s Moog sion was the brainchild of Robert A. g, the former physics student who nted the first marketable synthesiz- the early Sixties. But Moog is now ber two in synthesizers. It has been taken by tiny ($7 million sales) Arp ument, Inc. of Lexington, Mass. rheim Electronics Inc. of Santa ica, Calif. now produces what some essionals think is the most advanced hesizer. And Arp itself is making hesizers controlled by guitar strings ead of by keyboards.

ys analyst Lee Isgur of Paine Webber chell Hutchins: "The problem is the with which a company can market oduct that has fairly sophisticated electronics. Whether you're a $100 million company or a $7 million company like Arp, you can acquire the expertise."

Even the organs aren't sounding as harmonious as they once did. Unit sales last year were less than in 1974. "The cheaper models are gimmicks, impulse items," says David Friend, president of Arp. "You can quickly run to the end of their musical limits if you have any talent at all." Hammond Organ Co., for example, slipped into the red in 1974 after trying to sell supercheap organs through mass merchandisers. It is now owned by The Marmon Group, Inc., a $1.3 billion manufacturing and coal mining company.

But the traditional, nonelectronic instrument business sounds even flatter. The number of nonamplified string, brass and woodwind instruments sold in this country has declined steadily along with the under-20 portion of the population and austerity-stricken school budgets. Even acoustic guitars peaked at 1.6 million units in 1973 and fell to 1.2 million in 1977.

So, while new musical instrument companies have proliferated (the total number of instrument manufacturers has doubled over the last decade, to about 600), the old-style makers have consolidated. Fifty years ago there were 300 piano makers. Today there are fewer than 20. "In the 1950s," says William Peters, president of Selmer, North American Philips Corp.'s musical instrument subsidiary, "there were dozens of companies making brass and woodwinds; now there are fewer than 20. We are a mature industry. When the dust settles, it may be just like the automobile industry."

So, it's easy to lose ground—or money—in the musicmaking business. Macmillan, Inc., which bought C.G. Conn, Ltd. in 1969—a manufacturer of organs, orchestra and band instruments—lost about $5.5 million last year in its musical instrument group. Norlin acquired Chicago Musical Instrument Co. and is now the largest diversified instrument company, with $150 million in sales; but its income from music was flat last year. CBS has bought seven musical instrument companies, including Steinway (pianos), Fender (guitars), Gemeinhardt (flutes) and Rodgers (organs), which now have sales totaling over $100 million. CBS says it did well last year after a year of slightly down profits in 1977.

Despite the electronic invasion, the piano is holding its own; over the last three years unit sales climbed, to about 275,000 in 1978. But the accordion—remember the accordion? Says Jerry Ash, president of New York's Sam Ash Music Stores, "It's almost totally dropped dead. It's the only instrument we've cut out in the last five years." ■

nd here's Canon's full ne of solutions for your opier problems.

ow you can copy computer printouts, ledger and size originals in full size—or reduce them to letter -with the new *Canon NP 5500* reduction copier. nd you can get the same features without ction capability in *Canon's NP 5000*, the first toner console plain paper copier with 11" x opy capability. Designed for offices with um-to-high volume requirements, the NP 5000 able, versatile; copies onto everything from let-ad to transparencies; and comes with a unique -button double cassette paper changing sys- and automatic toner control for consistently copy quality.

if you need a compact copier, there's the *Canon*) with optional rollaway stand. At $2,975, it's f the biggest bargains in plain paper copier y.

r more demanding copy needs, there's the *n NP L7 with ADF* that automatically feeds collates up to 40 pages. The popular *NP L7*, for s up to 11" x 17" in either book or sheet mode. e *NP 1824*, for copying newspaper-size origi- up to 18" x 24".

hatever your copying requirements, whatever office, one of Canon's full line of NP plain r copiers was exactly designed for you.

Canon NP PLAIN PAPER COPIERS

The Soviet maître d' was only following orders, but—unwittingly—showed a passel of top U.S. businessmen that expanded U.S.-U.S.S.R. trade is easier to talk about than to accomplish.

"I have no authority"

By Ben Weberman

PERIODICALLY, U.S. businessmen and the U.S. press get excited about prospects of trade with the Soviet Union. A visit there goes a long way to dash such expectations.

"Picture the entire United States run by the U.S. Postal Service and you get some idea of the bureaucratic mess that prevails in the U.S.S.R." That was what a high-level Treasury official told me after he spent four intensive days negotiating with the Soviets. This American does not doubt that the Russians want to trade more with us; they most definitely do. The difficulty is getting anything done. The Soviet system and the Russian character both conspire against it.

Let me describe a scene I witnessed while accompanying Treasury Secretary W. Michael Blumenthal on his recent four-day trade mission to Moscow:

The business-oriented U.S.-U.S.S.R. Trade and Economic Council was having a meeting there at the same time, attended by such top U.S. executives as Chase Manhattan Bank's David Rockefeller, PepsiCo Inc.'s Donald M. Kendall, Hewlett-Packard Co.'s David Packard and International Harvester Co.'s Brooks McCormick. A reception had been scheduled for the American brass and their Soviet counterparts, the business-type officials who actually run the Soviet economy. The Americans were told that the reception was to begin at 5:30 p.m., and so began to trickle into the anteroom to the ballroom of the elaborate new Intourist Hotel. Inside, a half dozen beautifully laid tables were set with caviar, sturgeon, smoked salmon and the like. The bars were ready to dispense Russian vodka and Scotch whisky. The floral arrangements were in place. Waiters stood about the ballroom, their tuxedos immaculate. It could have been a Hilton Hotel anywhere in the U.S. But it wasn't in the U.S.

Prompt arrivals found the maître d' blocking the door, refusing to let them enter. His schedule showed that the party was due to start at 6, not 5:30. By 5:45 such U.S. dignitaries as David Packard, Donald Kendall and W.H. Krome George of Aluminum Co. of America, were cooling their heels. Why not let the guests in, the maître d' was asked? "I have no authority," he replied. "I am only a small shot and cannot alter the program." At 6 p.m. sharp he stood aside and let the by-now thoroughly miffed guests file in.

A small episode but typical. The Soviet Union is a place where few people are willing to assume responsibility and where "those are the rules—I'm just a small shot" is the typical answer to any request for a bending of the rules.

Little wonder that visiting businessmen find there is virtually no office space, little hotel space and a primitive telephone service. Telephone directories are hard to find. Want to call someone? Walk over and get his phone number and go back to dial it. Switchboards are nonexistent except in some newer hotels.

International phone calls take two to six hours to place. Try negotiating a deal where the head office must approve some new proposal under these conditions. When it is necessary for the Bank of America representative office in Moscow to talk with the home office, someone sends a message over the Telex machine, which keeps contact with San Francisco, and requests a return phone call. Direct dialing from the U.S. to any Russian phone is possible and quick.

The Soviets are neither lazy nor du The basic trouble is that Russian p and Soviet ideology stand in the wa their adopting Western technology Western systems. Suppose a U.S. f agrees to build a turnkey project to g duce American-designed goods: The viets will not permit it to retain qua control over the output. U.S. produc justifiably fear that Soviet quality p duction of their product could harm th worldwide reputation and, adding ins to injury, the Russians might start dump the product at prices below cost of output.

By coincidence, Blumenthal, when was head of Bendix Corp., had star negotiating with the Russians for c struction of a much-needed spark p plant. These talks were reportedly ab doned when it became obvious that Russians were unwilling to grant lice or royalty fees, would not permit fore factory supervision and wanted to re Bendix in Russian-made "Bendix" spa plugs—over whose production and qu ity the company would have absolut no say. This is a standard Soviet dema in such deals.

C. William Verity Jr., chairman Armco Steel Corp. and cochairman

U.S.-U.S.S.R. Trade and Economic
ıncil, was overheard expressing won-
at the Russian business mentality.
meone decided they should have the
est foundry in the world so they built
. The foundry, indeed, may be the
est in the world, sitting on 96 acres.
ypical important foundry in the U.S.
ers about 50 acres. The Russian plant
a capacity greatly in excess of any
mal U.S. requirement."
hroughout Russia little or no atten-
seems to be paid to the cost of
estment or to return on investment.
t is why they build those outrageous-
arge facilities. They are monuments,
productive facilities.
iterally hundreds of apartment
ses stand partially finished through-
Moscow. Cranes still sit atop the
struction, and building materials are
d up around the structures. No one is
work. Where are they? The Soviet
on has shifted the workers to the
s of the Olympic contests. The facili-
will be finished on time. Under the
iet authoritarian system, workers are
ved to whatever project has highest
rity. Right now, housing has less pri-
y than Olympic Games.
Many Soviet citizens admit that such
uent alterations of priority have sub-
tial, adverse effects on efficiency,
incentives for work performance
leave much to be desired. But the
ology of the Soviet socialist system
s not permit adjustment.
talked with Dr. Yury I. Bobrakov,
d of the section of the Academy of
nces of the U.S.S.R. in Moscow
ose assignment it is to keep tabs on
American economy. Asked why
ut one-third of the light bulbs were
working in the ceiling of the newly
structed Dom Kino (Cinema House)
wcase auditorium, where a meeting
held between Soviet trade experts
U.S. business leaders, Bobrakov
ugged and said: "Someone looked up
decided it has enough light."
o one cares.
he Soviets are terrified that their
g-standing enemies, the Chinese, will
pass them economically, now that
na is opening up to the West. The
problem is that the Chinese system
ns to be considerably more pragmat-
han the Russian system.
here is tremendous ambivalence. On
one hand, the Soviets sincerely want
e trade with the U.S. On the other
d, like the maitre d' at the business-
n's meeting, Soviet officials seem un-
ing or unable, or both, to make neces-
adjustments and decisions.
here is no lack of goodwill; but a
hora of nationalistic pride and ideo-
cal rigidity mixed with politics. Un-
the situation changes, the pragmatic
nese will indeed soon surpass the
sians economically. ■

Of the 5 Great Liqueurs in the world only one is made in America.

Wild Turkey Liqueur.

Scotland has Drambuie. Ireland has Irish Mist. France has Cointreau and B&B.

Now America can boast its own great native liqueur: Wild Turkey Liqueur created in Kentucky by the originators of America's finest native whiskey, Wild Turkey.

Wild Turkey Liqueur is the "sippin' sweet cream" of liqueurs It's made to be savored slowly after dinner. Or as a mellow accompaniment to an evening's conversation. You've tasted the great liqueurs of Europe. Now taste America's great one—Wild Turkey Liqueur.

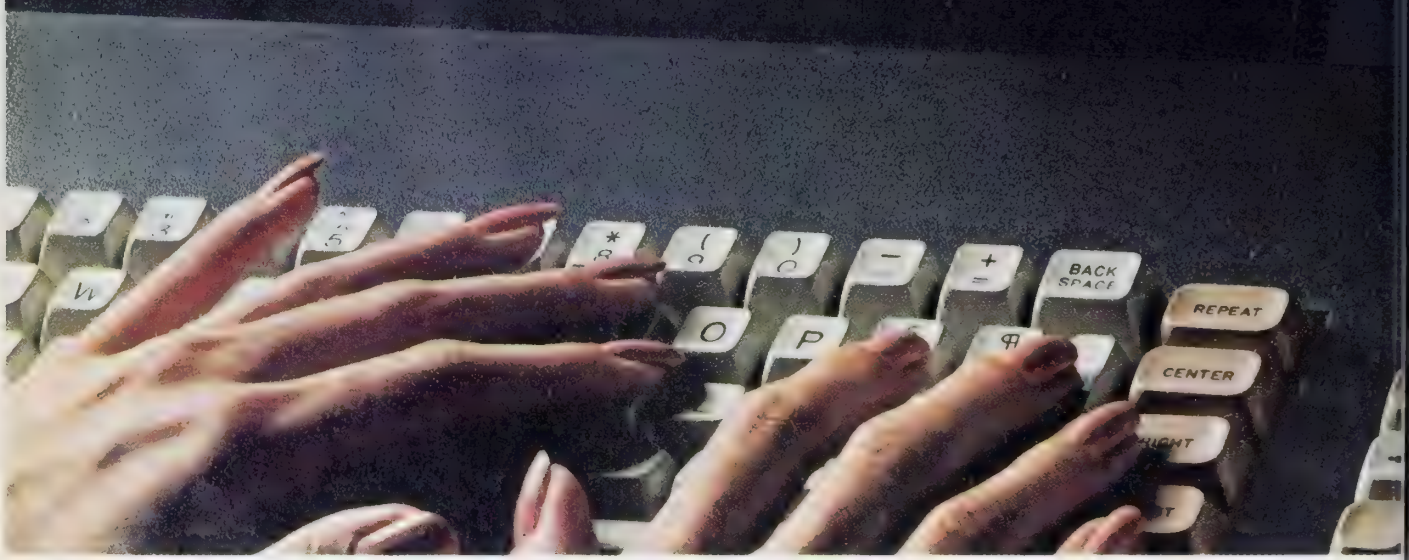
NOTICE: SUPPLY WILL BE LIMITED. IF NOT IN YOUR STORE, PLEASE CONTACT AUSTIN, NICHOLS & CO., LAWRENCEBURG, KY. 80 PROOF © 1977

Information gets a new

Addressograph-Multigraph is now AM International.

For 85 years, we've provided dependable duplicating, addressing and engineering graphics equipment—and we still do. In recent years, we've entered new fields. We've brought our proven reliability to word processing, photocomposition, micrographics, electronic management control systems—to name a few.

All our products are known for their quality and ease of operation. Each benefits from our commitment to advanced information technology, and is backed by the prompt service of our 4,500 skilled technicians worldwide.



© 1979 AM International, Inc.

technology name.

AM International is dedicated to leadership in the management of information. That's why we call ourselves the informationists.

Boston or Brussels, Louisville or Los Angeles, our offices are ready to meet your needs. AM International. The informationists.

AM International
the informationists

Report from Number One Wall Street

Irving's international strengths: People.

Total global service. Coordinating Irving's relationships with a select group of international companies is the responsibility of Bob Richardson and his staff. "Our role encompasses virtually all aspects of banking: from financing major projects and rendering high-volume cash management services to assisting expatriate employees with their personal finances," says Richardson.

Kiyoshi Shiino, Assistant Vice President, International Corporate Banking Division

"We aim at knowing our customers and their needs thoroughly. And we're committed to excellence—to providing them high quality, useful service on a timely basis. We're constantly refining our procedures. And we're always on the alert for new ways to assist our corporate customers."

Japanese market specialist. Kiyoshi Shiino comes to Number One Wall from Irving's Tokyo Branch. "I know what Irving can do for business abroad, having helped many companies to expand in Asia," he explains. "Now, my role is reversed. I am here to work with Japanese companies in the U.S., but my work as an Irving banker is the same. Arranging financing. Advising on cash management procedures. And very important to my customers, offering all our services to meet their financial needs at any time."

Shiino-san is also prepared to advise U.S. companies on business in the Far East.

Extra effort pays off. Each of the 120 staff members in Irving's London Branch is dedicated to providing comprehensive banking services for corporations.

Bill Mills, Manager of Irving London's multinational activities, defines this dedication: "Providing personal attention is the first order of business.

"Every customer has individual needs. Whether it's a special letter of credit or a unique type of financing, we're prepared to custom-design what's needed. And customers tell us they appreciate our extra efforts to help them."

W. Gundry Mills, Vice President, International Corporate Banking Division, London Branch.

Robert J. Richardson, Vice President, International Corporate Banking Division.

Irving Trust Company. Unique. Worldwide.

A CHARTER NEW YORK BANK

THE OFFICIAL BANK OF THE 1980 OLYMPIC WINTER GAMES.

MEMBER F.D.I.C.

clear power is on the back burner for now. where does that leave Westinghouse?

What Bob Kirby has wrought in adversity

By Jean A. Briggs

Westinghouse Electric Corp. Chairman Robert E. Kirby becomes exasperated at questions nuclear power. "Why don't you ask bout broadcasting, or defense?" he a reporter. "Or industry products? ear is only 8% of our business."

a very important 8%. Westing—number two, three or four in of its markets—is number one in ar power. It is widely considered chnology leader and has 40% of the et, compared with General Electric 34%, Combustion Engineering's nd Babcock & Wilcox' 12%.

act, the only domestic order for a uclear plant in 1978 was awarded nonth to Westinghouse by Chica-Commonwealth Edison Co. That nore than just a morale booster for nghouse. It makes more money on ear plant than on a coal or oil plant e simple reason that it makes more h a plant: It makes the steam sup-stem and the fuel, as well as the e generator; for a coal or oil plant it s only the turbine generator.

Kirby himself says, "This is a big item for us."

clear remains a giant headache for nghouse but in no sense a poten-lethal problem. For one thing the any has built up tremendous cash es. Recently, moreover, a federal admonished the utilities that are Westinghouse to be realistic in the ments they are seeking. It is clear hat the uranium mess could turn be expensive, but it will not sink mpany or come near sinking it.

estinghouse has tremendous h and depth," Kirby says.

s indeed a giant outfit—the 36th t corporation in the country—and rse one. When Kirby took over in he organized it into four subsidiary anies, each with its own manage- and staff. The question is, what estinghouse's prospects, based on its nonnuclear businesses alone?

Sales for the entire company, estimated by Robert Cornell of Paine Webber Mitchell Hutchins Inc. at $6.7 billion for 1978, grew 9% over 1977, just about keeping up with inflation. Profits before extraordinary losses from uranium settlements probably did a bit better, growing 11%, from $270 million to an estimated $300 million. Return on equity, at 12%, is an improvement over prior years but it remains well below the electrical equipment industry median of about a 19% return.

"When I look at the plans our business units have," Kirby says, "even I get ecstatic." According to Douglas D. Danforth, former head of the Industry Products Co. subsidiary who became corporate vice chairman and chief operating officer last July, "The biggest percentage gain in the near future will be from Public Systems."

Public Systems Co. got its name from the fact that most of its sales go to government units ranging from the Pentagon to the local school board. Thomas J. Murrin, Public Systems' blunt, burly president, deserves high marks for amputating several money-losing businesses within Public Systems and for putting together a number of successes in this incredibly diverse company.

These include a defense business with a backlog of well over a billion dollars. The company beat out Hughes Aircraft Co. in 1975 for the contract to supply radar for the F-16, the General Dynamics fighter going to the U.S. Air Force and NATO. It also supplies surveillance radar for air traffic control and for defense, both in the U. S. and overseas, as well as communications equipment for Morocco and Nigeria.

There are three more business groups in Murrin's Public Systems: construction, learning and leisure and community development.

Products for the construction business include elevators, where Westinghouse is number two after Otis but number one in escalators and airport people-movers. It also makes big commercial air-conditioner units, modular office furniture and industrial fans. Learning and leisure includes the 7UP bottling operation, which Westinghouse is now expanding; a test-grading company; a language study outfit and the Longines-Wittnauer Watch Co.

Westinghouse is one of few big companies that have made money in land development. Public Systems' community development group is working on properties in Florida and California.

Taken as a whole, Public Systems earned an estimated $80 million pretax last year on revenues of $1.5 billion. At just over 5% pretax on sales, this profit leaves room for further improvement—which is precisely what Tom Murrin is working toward.

Much more profitable for Westinghouse is its Industry Products Co., now headed by marketing man Edwin V. Clarke Jr. Pulled together by Donald Burnham, Kirby's predecessor, before he became CEO in 1963, it has been quietly making money ever since. "Our products go behind walls, above ceilings or under floors," says Clarke. "You don't see them." They are all manner of electrical gear: The company makes a vast array of motors, for example. It also makes process control systems, or, as Clarke says, "pieces of control," from a simple light switch to a complex system to operate a paper or steel mill, and distribution equipment: bus ducts, wiring systems, light bulbs.

The business is highly competitive—with General Electric and Emerson Electric Co. taking much of the motor market; Square D Co., much of the process control market; McGraw-Edison Co., the distribution market. And there are dozens of other sharp outfits, from the Honeywells to the little backyard companies, which all get their share.

Two of Westinghouse's strongest businesses are in this division: It is a strong number two in light bulbs from which it reaps hefty profits, and it is number one in over-the-road refrigeration through its Thermo King division, which it purchased in 1961.

Both Clarke and Danforth believe that Industry Products has some growth opportunities as companies get more interested in energy-efficient equipment and as inflation makes it more and more economical for them to spend the money to upgrade old plants rather than build new ones.

Industry Products Co. includes a service and repair business that is huge and growing. "It is so big we have to have eastern, western and international managers," says Clarke.

This Westinghouse company, its profit mix enriched by light bulbs and truck refrigeration units, is the backbone of

the parent company's profitability. On less than 40% of revenues—an estimated $2.6 billion last year—it accounted for well over half the probable pretax profit—some $240 million. It is nicely profitable by any standards, earning 5% on sales after tax.

Power Systems Co. may not be selling nuclear or any other kind of generating plants to utilities, but as Gordon C. Hurlbert, its president, points out, it is making money on its backlog and on providing services for older plants. Hurlbert is proudest of his transmission and distribution division. "We've moved from number four to number one in pad-mounted transformers," he claims, "and from number two to number one in small power transformers. We were always number one in large transformers."

In spite of the slowing of new orders and the nuclear disappointments, Power Systems is solidly in the black with profits of around $118 million on revenues of $2.4 billion. When utilities start to order heavily again, Power Systems may again be Westinghouse's most stalwart producer of profits.

Westinghouse's little jewel is Group W, its broadcasting division—an estimated $80 million pretax profits on revenues of only $200 million. The outfit has its quota of VHF stations (five), and its quota of AM radio stations (seven), all in good markets. It has a cable-TV operation and a TV production and syndication business.

Donald McGannon, Group W's boss, has a reputation as the conscience of the TV industry, for his efforts to get more intelligent programming and to lim number of advertisements. Critic McGannon has not been as aggress he might have been in expanding inghouse's advantage in broadca He has not gone after UHF statio FM radio, for example. Nor has h sued cable TV aggressively. His cabl tem, in Florida and Georgia, has 64,000 viewers. Teleprompter's, by trast, has well over a million and Ge Electric, if its proposed deal with Broadcasting goes through, will 660,000. But such carping aside, Mc non and Westinghouse stand for q in an industry where standards ar always of the highest.

Westinghouse Chairman Robert Kirby
"We want our people to think about what might go wrong in management."

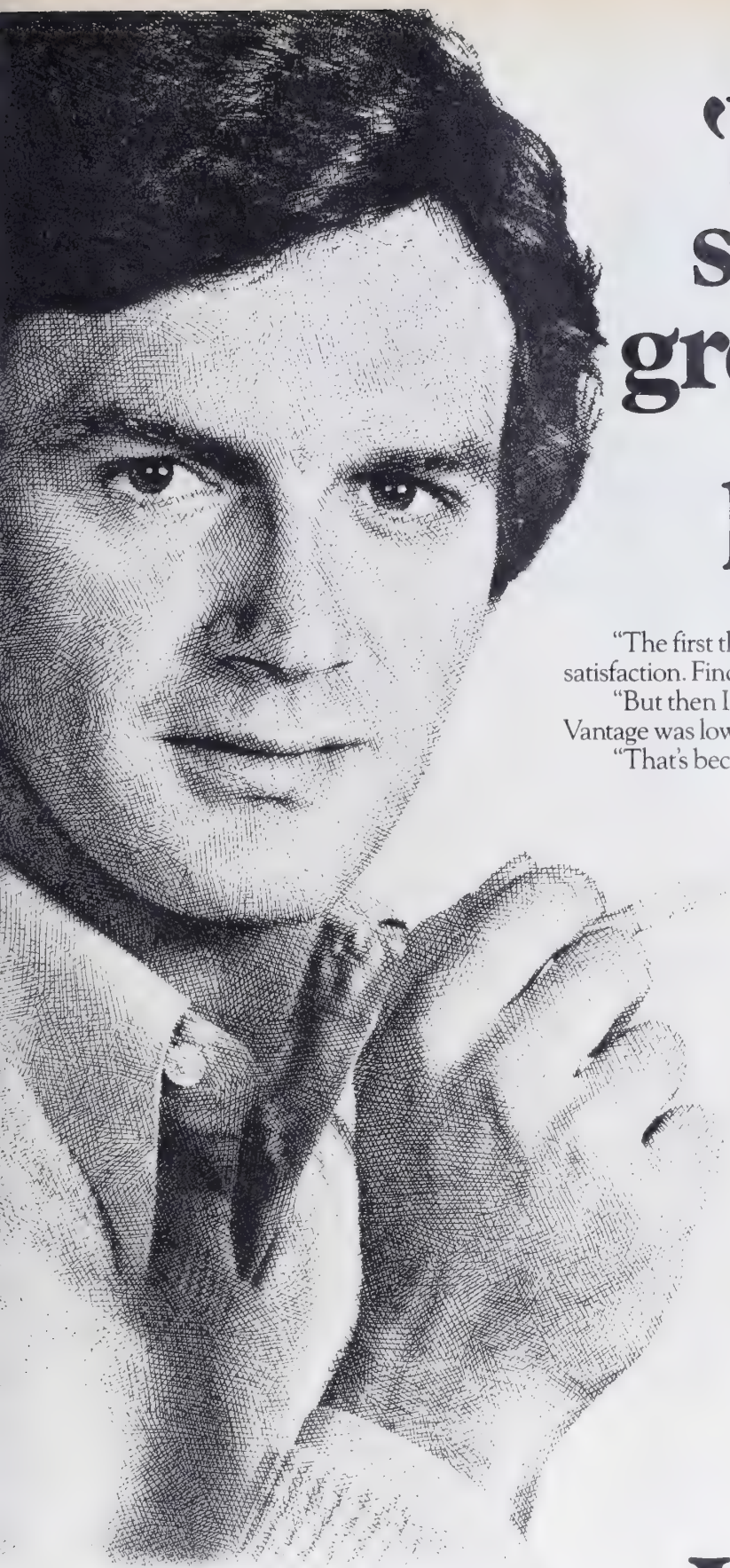
Bob Kirby deserves high mar bringing this sprawling and trouble-beset corporate gian der firm control; the kinds of unple surprises that occurred so frequent the past now seem unlikely. And h brought Westinghouse back from brink of financial danger. By husba cash and raising more through disp of hopelessly losing businesses like ances, he has made the company h liquid and only lightly leveraged. W he took over, debt was 39% of equit burdensome; it is now down to a 15%. The company came out of with well over $700 million in ca ample money not only to handle backs in the uranium cases but to a for future expansion as well.

An engineer who spends part o leisure time playing with compu Kirby has not abandoned techno The company continues to support spected research and development e But it has been carefully defined.

Dr. George Mechlin, who heads unit, says that the company is no l venturing forth into new areas—e for new processes to get at uranium- sticking to familiar territory *(see* "When a securities analyst hears t he complains, "he rubs his stomach says, 'That's just what I wante hear.' " But Westinghouse is comin with new ideas and new applica that keep its product lines up to such as a new light bulb that gives s so-called "natural light" for product plays. That has given Westinghou temporary advantage in the retail market.

Robert Kirby, 60, is an aggres hard-driving man whose parents al made him earn his own spending m (Kirby recalls, when he was nine, se little bags of peanuts and little bouq of flowers on a nearby college cam When he believes in something, Kirb not afraid to push it hard. Example was among 13 businessmen invite the White House last summer to dis the Administration's energy progr Carter had already stated publicly th didn't want to go ahead with the Cl

© 1979 R. J. REYNOLDS TOBACCO CO.



'I didn't sacrifice great flavor to get low tar.'

"The first thing I expect from a cigarette is flavor. And satisfaction. Finding that in a low-tar smoke wasn't easy.

"But then I tried Vantage. Frankly, I didn't even know Vantage was low in tar. Not until I looked at the numbers.

"That's because the taste was so remarkable it stood up to anything I'd ever smoked.

"For me, switching to Vantage was an easy move to make. I didn't have to sacrifice a thing."

Peter Accetta
New York City, New York

FILTER 100's: 10 mg. "tar", 0.8 mg. nicotine, FILTER, MENTHOL: 11 mg. "tar", 0.8 mg. nicotine, av. per cigarette, FTC Report MAY '78.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Vantage

Regular, Menthol and Vantage 100's.

River breeder reactor. The tale is told that while the others were awed, Kirby argued with the President over the merits of breeder reactors. Confronted with the report by a FORBES reporter recently, Kirby smiled and said: "We reached an impasse."

Kirby describes himself as a "people person," underlining his concern for Westinghouse's organization as opposed to an exclusive concern for technology. Appropriately he has placed heavy emphasis on management development—moving those Westinghouse engineers around, much as GE moves its engineers so they'll have broad managerial experience. He's also giving them courses in risk management. Says he: "We don't want people to just look at the good side of their business. We want them to think about what might go wrong." His hope, of course, is to avoid such traps as those Power Systems Co. fell into under its former president, John Simpson, when it sold uranium at prearranged prices before buying it, and got caught in big price increases.

More recently the company has increased its emphasis on so-called strategic planning—forcing business units to monitor more closely their competitive positions and decide exactly what to do to improve them. It has also reorganized its sales force along market rather than geographic lines.

The new Westinghouse is too well structured, too tightly controlled to repeat the mistakes of the old Westinghouse. But what about the continuing nuclear problem?

By the end of the year the damage done by the uranium fiasco will probably be pretty well known. Of the 21 lawsuits that resulted from its 1975 decision to try to get itself excused from its uranium obligations because of "commercial impracticability," four have been settled out of court. Estimated cost of those four: $150 million pretax. (It could be somewhat higher because the settlements all involve providing goods and services as well as cash.)

Thirteen suits remain. In Richmond, Va., where seven of them were tried recently, Judge Robert R. Merhige Jr. ruled that Westinghouse had not proved its case. But he also admonished the utilities to be more realistic in their demands and to try to settle the suits out of court. The damage award trial for the seven starts in May and three other suits will be tried in March.

That leaves three more proceedings in Sweden. In theory, the company could be considered liable for 65 million pounds of uranium. While no one expects that worst of all possible worlds, the settlements could cost up to $1 billion. Westinghouse can handle even that figure, what with its cash hoard, borrowing power and potential tax credits.

The fact remains, however, that nu ar power prospects seem pretty bleal the near future. Utilities aren't orde now, partly because demand isn't g ing rapidly, partly because they d have the money and partly because don't know what kind of plant to o Many utility executives would prefe clear, but the great uncertainty cause the government's shifting policies its failure to deal with the problem nuclear waste disposal and the issu licensing deter them.

There are some smart people think that nuclear power make a comeback. They point that the U.S. cannot go on running ever-higher oil import bills. They a that a widespread return to coal might seem logical, would involve a in environmental hazards and l problems that the country simply not pay. When these facts are re nized, the argument goes, the cou will look at Chicago—where Comm wealth Edison efficiently, cleanly economically gets 45% of its po from nuclear plants—and say: Nucle the best bet.

Westinghouse stockholders may ye grateful for the company's early and tinuing pioneering in nuclear po True, the time element may be frigh ing, but any management worth its must look beyond the next quart earnings statements.■

Are you listening, Jimmy Carter, Teddy Kennedy?

Dr. George Mechlin, head of the Westinghouse Research Laboratories, had something on his mind. He sat down, harrumphed, then like an old professor looked up and said:

"I want to comment on something—a national issue that relates to Westinghouse. Frank Press, the President's science adviser, is heading up an intergovernmental committee making a broad study of the innovation process—about what's going wrong, about industrial unwillingness to do something called basic research.

"You don't really need a presidentially sponsored study to figure out the answer. It's obvious that the research problem is just a subject of the reluctance to invest. There are quite a number of companies around with enormous bundles of cash. IBM, for example, has $4 billion. Its financial vice president's mattress must be getting awfully lumpy.

"Having all that cash around indicates there's something wrong with the investment process, not the savings rate. I don't know why. I'm not enough of a student of economics to know what's wrong.

"But R&D is the cheap part of the investment process—all God's children can afford R&D—it's the implementation of it that costs money. That involves training a sales force, educating the marketplace to accept new products, building factories, securing dealers, establishing service organizations. You have to invest 10 to 100 times as much money in implementation as in R&D. The restraint on R&D is simply the national reluctance to invest.

"Our strategies at Westinghouse have begun to resemble national strategies. We're concentrating on the products and technologies in which we have a well-established position. One example is electron meters that would replace electromechanical meters. If and when a market for them develops, we could convert our current production of meters to the new meter in a relatively short period relatively inexpensively. We are less willing to use technology to move out and undertake unfamiliar businesses."

Mechlin repeated: "I don't know why." But then he told a couple of stories which suggested he knew better than he admitted. There was the case of Westinghouse's costly involvement in sewage treatment. Mechlin:

"The government had a multibillion-dollar program with stringent requirements on performance. We got the impression it would be fertile ground for *technological* improvement. But the government chose to make the money available for *plant construction*. It was in the interest of the architectural engineers who wrote the specifications for the bid packages to use proven technology—things they knew worked. The consequence of this is, we as a country have spent $2 billion or $3 billion on sewage plants that were technically obsolete when they were procured. There was no opportunity to do much in the way of technical innovation. A lot of us marched into this business not knowing the realities of the market. We had a water- and waste-treatment business based on technology. In the real world it didn't work, so we got out."

Mechlin told a few other stories. They all added up to this: When Westinghouse did go into venturesome R&D, it got its fingers burned. Nuclear, for example.

So we guess that George Mechlin's message to President Carter and his science adviser, Frank Press, is this: It is not so much that companies like Westinghouse are unwilling to invest in R&D; rather that the political process makes such investment too risky and too unrewarding. **—J.A.B.**

You may not know my company yet, but you know my partner.

Patrick de Cavaignac, President of Vydec, has good reason to be smiling.

His company is part of Exxon Information Systems, Exxon's fast-growing business activity in the information field.

By joining forces, Exxon Information Systems and Vydec combined the resources of a large organization with the growth potential of one with unique technological skills.

Today, the Tiger and many others of the Fortune 500 are using the Vydec® Word Processing System to up to triple office productivity.

Vydec streamlines the handling of mounting paperwork loads. By automating most office typing tasks, Vydec Word Processing Systems can save you money, as they have in companies large and small throughout the country.

Vydec Word Processing Systems allow increased workload with no increase in staffing.

Vydec has also introduced moneysaving options, like a text reader that can turn your secretary's typewriter into a low-cost word processing station.

One more thing: Vydec Word Processing only takes hours to learn, not weeks. And it can be adopted without disrupting regular office procedures.

Vydec Word Processing Systems. They can triple office productivity, and more.

The Tiger would like you to know more about how Vydec and his other partners can help streamline information handling in your organization.

For a brochure which details products and services, call 800-223-2479 toll free (in New York State, call 212-398-3141), or write to "Exxon Information Systems Brochure," 1251 Avenue of the Americas, New York, N.Y. 10020.

VYDEC®

EXXON INFORMATION SYSTEMS

Canada's Noranda Mines sits on one of the continent's richest natural gas deposits. That's the good news. The bad news is developing it will strain Noranda's limited resources.

A tiger by the tail

Noranda Chairman Alfred Powis
A rich empire of natural resources in which natural gas is now the crown jewel.

By Paul Gibson

SELDOM DO BAD economics and po cal horse-trading make for g corporate results. An exceptio the case of Noranda Mines Ltd., wh may be among the investment wor most intriguing natural gas plays.

With $1.4 billion in sales and $2.2 lion in assets, this Toronto-based di sified (copper, zinc, uranium, molyb num and gold mining) enterprise ra in size alongside such U.S. giants AMAX Inc., Phelps Dodge Corp. ASARCO Inc. But Noranda is far m than mining. It is also big in metal fa cation, potash, forest products, and ov sizable blocks of stocks in such ot Canadian natural resource companie Kerr Addison, Mattagami Lake Mi and British Columbia Forest Produ *(see table, p. 60).*

In earnings, moreover, Noranda is i class by itself. During the past four ye while its U.S. competitors struggled keep out of the red as metal pri sagged, Noranda has almost doubled net income. In 1978 Noranda earne least $4 a share, its best showing si 1974, the last boom year for base met This year expect $4.50, with even sha er gains to come in the 1980s. Wh happening here?

In large measure Noranda is curren benefiting from the mismanagement the Canadian economy, which if a thing is in worse shape than the U Inflationary wage claims there, plus h welfare benefits and high taxation, h sent prices soaring and the Canadian c lar tumbling even faster than the U dollar. Where the Canadian dollar as cently as 1976 commanded a 1-cent p mium over the U.S. greenback, it n sells at a 16-cent discount, its lowest r since the 1930s.

The cheap Canadian dollar is g news for Noranda. The company d about a quarter of its business abro mainly in the U.S. So while Norar pays its miners and keeps its books Canadian dollars, it receives much of income in foreign currencies. The lev age effect on Noranda's earnings is en mous. Where U.S. producers get only cents a pound for their copper, Norar gets 85 cents (Canadian). "It sudde dawned on us a few weeks ago that producer price for copper in Canad funds is at an alltime high," says N anda Chairman Alfred Powis, explain how a 1-cent decline in the value of Canadian dollar means an extra $5 n lion after taxes on Noranda's bott line. That's equal to 20 cents a share.

"Ostensibly we are doing relativ well. But I told my guys to go back a recalculate the price of copper in Sw francs," Powis continues. "They found was at an alltime low. So while we tough against the Swiss and the Germa

lity is that the drop in the Canadi-
lar is our margin of survival."
vever, Noranda is poised to do a
leal more than merely survive. It is
to become one of North America's
t natural gas producers thanks to
esight in correctly reading the po-
horse-trading between Canada's
l and provincial governments over
exports to the U.S.
s part of the story begins back in
d-1970s. After the Mideast oil cri-
tawa—over the protests of energy-
lberta—began insisting that Can-

Bringing Noranda's gas to market

By chance, Noranda's major discovery of natural gas in western Canada is located only about 40 miles from an existing gas-gathering system. It is also close by the probable route by which gas will travel from the Arctic during the 1980s.

Source: Wood Grundy Ltd.

ther conserve its surplus fuels in
ound for later use or pipe them to
ergy-weak but politically powerful
n provinces (Quebec, for instance,
relies heavily on imported oil
enezuela). Caught in the midst of
w, many drilling companies, par-
ly those from the U.S., quit Can-
d relocated their rigs in Colorado
ner western states.
hance, James Gray and John Mas-
wo geologists with Kerr-McGee
decided not to go to the U.S. when
mployer cut back in Canada. In-
they convinced Noranda to hire them and invest an initial $5 million to explore land straddling the Alberta and British Columbia border that had been largely spurned by most leading exploration companies, including Kerr-McGee.

Almost from the start, they found an abundance of natural gas, and today Noranda is probably the biggest landowner, with claims to 1.2 million acres in what may be the largest pool of natural gas yet discovered in North America. Known as the Deep Basin, this field is located about 250 miles northwest of Edmonton, Alberta and could contain twice the gas reserves in New Mexico's prolific San Juan basin and double Alaska's Prudhoe Bay. In fact, geologist Gray contends that Deep Basin will yield at least 50 trillion cubic feet at current prices and triple that amount if the wellhead price of natural gas were $2 per thousand cubic feet today. To put this figure in perspective, Canada currently consumes about 1.5 trillion cubic feet annually and exports another 1 trillion. Noranda's discovery means Canada's total projected reserves have doubled overnight.

While some of Gray's figures are still being challenged by other geologists, his optimism does not appear unwarranted. After last month's 14.5% hike in oil prices by the Organization of the Petroleum Exporting Countries, who would argue that—even if supplies become plentiful—gas prices are not headed a lot higher in the years ahead?

"It's impossible to quantify how much gas we have with any degree of accuracy," says Powis, with the air of a man who doesn't need to worry about the final details. "It's a hell of a lot."

So far Noranda, through a wholly owned subsidiary, Canadian Hunter, and other affiliates, has spent $140 million, drilling some 40 wells, most of them successful, and boasts proven reserves to date of about 1 trillion cubic feet. Under a firm take-or-pay contract Noranda later this year will begin selling part of this gas to TransCanada PipeLines Ltd. Some Toronto analysts put a $1 billion price tag on Noranda's gas holdings (about $40 per Noranda share), which so far it has carried on its books for less than $100 million. News of the deal not surprisingly helped push Noranda's stock (book value, 34) to 39, up from 21 only a year earlier.

The cheap Canadian dollar is good news for Noranda. The company does about a quarter of its business abroad, mainly in the U.S. So while Noranda pays its miners and keeps its books in Canadian dollars, it receives much of its income in foreign currencies. The resulting leverage effect on Noranda's earnings is enormous.

This year, according to Wood Gundy Ltd., the respected Toronto investment bankers, oil and gas will add 18 cents a share to Noranda's earnings and that figure will rise rapidly to at least $1 in 1982. While he doesn't talk figures, Powis readily lets it be known he thinks such estimates are too cautious.

Will any of this gas find its way to the U.S.? By lucky chance the part of the Deep Basin gas field where Noranda has found most gas lies only 40 miles from an existing pipeline that in the past flowed gas plentifully into the U.S., linking up with the Pacific Gas Transmission system at Kingsgate, B.C. and with the Northern Border System at Monchy, Sask. *(see map)*. "We now know Canada has plenty of gas and we believe we should be allowed to sell in the U.S," says Powis. He contends that, contrary to what Ottawa says, greater exports would stimulate more exploration of the Deep Basin and in time increase, not diminish, Canada's energy reserves. So this March Powis will be lobbying hard when Canada's National Energy Board holds its final hearings before making a recom-

mendation to Ottawa about future energy sales to the U.S.

"What you must remember," says Gray, "is that selling 1 billion cubic feet of gas a day would have a $1-billion-a-year positive impact on Canada's balance of payments." With Canada facing a $4 billion current account deficit, his argument will not fall on deaf ears.

Noranda will sell its gas to Canadian customers at $2 per thousand cubic feet. The same gas, says Powis, could be delivered to northern U.S. cities for $2.40 (Canadian). That's about half the expected delivery cost of gas from Alaska, which is due to begin flowing in 1983.

Noranda. Hardly a familiar name to U.S. investors. The company prefers it that way. Its shares are not listed on any U.S. exchange, and some 94% of its stock is still in Canadian hands with the balance split between the U.S. and Europe. Says Powis, scornfully, "We don't choose to subject ourselves to the tender mercies of your Securities & Exchange Commission. If we did that, we would have to hire 40 people to cope with its reporting requirements."

That's the way Alf Powis talks: He's not one of your typically faceless, colorless Canadian businessmen. Starting as an auditor in 1955, he shot through the ranks to become chief executive 13 years later when he was only 38.

Under Powis, Noranda has become leveraged by the standards of U.S. mining companies. Its long-term debt, from virtually nothing in 1966, had soared by 1976 to over $600 million, almost equal to stockholders' equity. This in contrast to U.S. outfits like Phelps Dodge, which carries about 50 cents of debt for each $1 of equity. As a result, last spring the Dominion Bond Rating Service downgraded Noranda's bonds to triple-B.

"Our success in gas is damn near bankrupting us," Powis says, only half jesting. "The demand for funds is almost bottomless. If I told my geologists they could spend $500 million this year, they would." Noranda has, in fact, been reduced to selling off pieces of its patrimony to pay for the gas development. Last fall it cut Exxon's Imperial Oil in for a 12.5% stake in Deep Basin for $180 million; other such deals have reduced Noranda's ownership to over 60%.

Almost from the start Noranda geologists found gas, and today Noranda is probably the biggest landowner, claiming 1.2 million acres in what may be the largest pool of natural gas in North America. Known as the Deep Basin, the field is located about 250 miles northwest of Edmonton, Alberta.

Noranda's cash flow is running around $150 million annually, but most of t needed for dividends and to keep it isting businesses in shape. Also month Powis must find extra fun buy an aluminum rolling mill in tington, Tenn. that will fully inte Noranda in aluminum. So Powis duced to juggling his assets. Last fa sold off a couple of sawmills to W haeuser Co. and agreed to sell a c mine in British Columbia to Z Corp. Then at year's end he was n ating a complicated $150 million swap for the publicly held shares in sidiaries Mattagami Lake Mines an chan Mines. That deal had the a tages of improving Noranda's debt-t uity ratio while diluting to 9% the ownership of Noranda's biggest ou shareholder, Argus Corp. (FORBES, *A 1978*), which is rumored to be e Noranda as a takeover target.

"It's going to be quite a balancing sighs Powis, thinking of the funding deals still to be done. But then his brightens as he points out that c prices should soon start trending u that after 1981 Deep Basin will beco substantial cash generator instead cash drain. Adds a beaming Powis, five-year goal is for Noranda to be to four times as profitable as it is no constant dollars."

Given his record for making the of a bad situation, Powis, with a b luck, might just make it. ■

Noranda Mines: A rich empire of raw materials

Investing in Noranda Mines buys a stake in 11 other publicly owned firms in Canada. For Noranda these holdings allow faster growth and offer protection against unwanted takeover since several subsidiaries in turn own Noranda's stock.

	Latest 12 months*						Noranda interest	
	Sales (millions)	Net income (millions)	Earnings per share	% change from previous 12 mos EPS	1978 price range	Shares outstanding (millions)	Direct	Indirect
Noranda Mines	$1,568.0	$110.6	$4.69	106%	38¾–20⅝	24.5	—	—
Brenda Mines	59.2	11.4	2.67	18	14½– 8½	4.3	50.9%	—
B.C. Forest Prods	664.0	58.8	3.86	93	21¼–10⅛	15.1	28.4	—
Brunswick M&S	137.6	10.7	.31	—	5¾– 2⅝	34.3	64.1	—
Craigmont Mines	24.8	3.2	.62	35	6½– 3	5.0	19.7	14.0%
Fraser Cos	251.1	22.5	9.59	89	24⅝–39¾	2.3	54.9	—
Kerr Addison Mines	42.3	7.4	.79	8	15¼– 9¾	9.5	41.2	2.3
Mattagami Lake Mines	80.7	12.9	.98	–8	13½– 8⅞	13.2	34.1	8.5
Orchan Mines	23.7†	1.9	.32	–6	6 – 1¾	6.0	45.1	6.4
Pamour Porcupine Mines	37.9	3.7	.53	D–P	8⅛– 4⅝	7.0	48.8	—
Placer Development	180.9	22.8	1.89	5	29 –19¼	12.1	31.3	1.0

In Canadian dollars. Noranda also has a large interest in Tara Exploration & Development Co. Ltd. (41.3% of stock) which, because of recent startup, has no comparable figures.

*Through the 3rd quarter of 1978. †Metal revenue only. D–P Deficit to profit.

The best part of the best incentive package in the EEC.

It is important to compare incentives when you're deciding to build a new plant in Europe. Plant Location International studied them all and decided the best overall package was available in Northern Ireland.

But how do you assess the quality of the worker any country puts on the job?

You can check the industrial performance of Northern Ireland. Measure our long manufacturing tradition. Chart our steady growth in productivity. Count how few working days we lose in a year.

You can look at intangibles, too. The depth of company loyalty. The willingness to try new production methods. The healthy climate of labor relations.

Add it all up, and you'll see why more than 30 American companies manufacture in Northern Ireland. They like the incentives, but they value even more the quality of the men and women they employ here.

Put our assistance programs and our people to work for you. Get the facts from Reg Browne or George McLaren at the Northern Ireland Industrial Development Office in New York. They can quickly tailor an offer of assistance to suit your plans. Call (212) 593-2258. Or write: NIIDO, British Consulate-General, 150 E. 58th St., New York, NY 10022.

William Dornan works. A toolmaker at the Bridgeport Brass Co., he brings 30 years of experience to the job of producing tire valves for the European market.

Northern Ireland works.

In high technology, you can fall as quickly as you rose—just ask Medtronic, Inc.

A pacesetter's dilemma

In business as in sports and gambling, it often takes one kind of skill to get ahead, but another kind to stay there. That's the lesson that $182 million (sales) heart pacemaker manufacturer Medtronic, Inc. has had to learn the hard way. Three years ago, with earnings of $13 million on sales of $129 million, Minneapolis-based Medtronic was four times bigger than its nearest competitor and commanded over 50% of the fast growing market for heart pacemakers.

But in pushing its sophisticated 220-man sales force to extend the market life of its Xytron pacemaker to an enthralled market of surgeons and cardiologists, Medtronic was sowing the seeds of its own comeuppance. Upstart competitors such as Cardiac Pacemakers, Inc., founded by four former Medtronic executives, were at the same time staking their futures on introducing advanced pacemakers with longer lives than the Xytron.

Then disaster struck Medtronic. Between midsummer of 1976 and the fall of 1977 it had to recall over 35,000 Xytrons—many of them implanted in the chests of seriously ill heart patients. The problem was the Xytron's hand-soldered sealing that allowed moisture from the body's wet tissues to seep inside the pacemaker and disable its batteries. While Medtronic was replacing thousands of pacemakers at a cost of around $400 each, its opportunistic competitors were catching the stunned market's attention with their "state-of-the-art" lithium battery models—not only longer-lived than the Xytron, but also machine-sealed to prevent moisture leakage.

By the end of fiscal 1977-78, thanks to higher prices for its own better-late-than-never lithium pacemaker called the Xyrel ($2,295 for the top of the line *vs.* $1,450 for the faulty Xytron), Medtronic's sales volume actually increased 23% over the previous year, to $182 million, with a 18.5% aftertax earnings increase to $17.3 million. But its unit sales stayed flat at around 80,000 pacemakers a year, and its market share was down to only 35% of all pacemakers sold. Says one Wall Street analyst, "They were just stupid. They should have been the first on the market with lithium. The technology had been around for a long time."

Medtronic's first half of the 1978-79 fiscal year was up 26%, to $106 million, while its earnings jumped 35%, to $1.49 per share. But, again, unit growth was minimal and market share was still 35%. At the same time, another small competitor, Intermedics, Inc., captured the market's attention with a new generation of "multiprogrammable" pacemakers that can be adjusted to changes in a patient's condition or lifestyle without additional surgery.

Medtronic, anxious to recapture its market share, would rather forget about tangential market developments like Intermedics' programmable pacemakers and concentrate on its newest no-frills lithium batteried model, the Mirel. Says National Sales Director Larry Whalen, "The bulk of the population can be well treated with the basic nonprogram pacemaker. A number of patients w sold these more sophisticated pro who don't need them."

Yet Medtronic can't afford a rep 1976-77. If the pesky competiti turning surgeons' heads with pro mable pacemakers Medtronic will to keep up. Now it has been beaten draw again. "Intermedics is sl ahead," says one industry analyst. it hadn't been for that recall wouldn't even be an Intermedics."

Medtronic does have a big res and development advantage ov competitors—and it has yet to pl ace. So far, all pacemakers, progra ble or not, work by sending elec impulses to the heart's lower cha the ventricle, which pumps bloo the arteries. But the organ's pr pumping station is the upper cha the atrium, which so far has re synchronized pacing. Medtronic's Byrel A-V sequential pacemaker, w approval by the Food & Drug Adn tration, affects both chambers and be nearly twice as effective as c models. When the Byrel A-V mo finally approved, it could get Medt back its lost market share—and mo

But it had better not squander i vantage this time. ■

A five-year-old heart pacemaker (left) and Medtronic's "state-of-the-art" Mirel
Spending nearly 10% of sales to keep up with technological changes.

CNA believes working with agents is one of the most effective ways we help keep insurance affordable.

"The way I see it, clients, agents and insurance companies like CNA all have the same goal. And that's to come up with the best coverage at the most reasonable cost over the long haul. Together, we're doing it. CNA people work closely with us on risk management. Identifying risks and suggesting improvements, like putting safety treads on a stairway. A small thing, maybe, but it shows how this three-way partnership can work. And how clients can have an important effect on their own insurance costs. Because, I think what we have to be is together."

Bob Nevins

—Robert C. Nevins, CPCU
Independent Insurance Agent
Dinner Levison Company
San Francisco, California

INSURANCE FROM
CNA

Judge us by the agents who represent us

Continental Casualty Company/Continental Assurance Company/CNA Plaza/Chicago, IL 60685

Volkswagen is booming again, but difficult decisions are ahead for Germany's number one automaker.

First the Beetle, then the Rabbit—now what?

When Toni Schmücker became chief executive of Volkswagen in 1975, he was the third man in seven years to take the job. The German automaker was nearly bankrupt. The year before, it lost a record $312 million—nearly twice as bad as Chrysler's current performance, though on a far smaller revenue base.

But now, Schmücker, a veteran of 28 years with Ford of Germany, is all smiles. In 1978 his company earned an estimated $250 million from sales of $14 billion. With its superior margins, of course, General Motors would have done three times as well on the same revenues. But VW's return to profitability—plus the fact that it has not boosted capital spending as fast as U.S. automakers—leaves the German firm flush with cash. With a $3 billion nest egg, VW has more money than GM though it is only one-fourth as large.

Investing such an embarrassment of riches, however, poses a challenge for VW management that is in many ways far tougher than engineering the company's recent turnaround.

The turnaround involved bringing out new products, but products with which VW was familiar. Its 28-year-old Beetle design was old-fashioned and overpriced. But once its Scirocco and Rabbit were in full production, and once Schmücker had trimmed 25,000 workers from VW's payroll of 202,000, the company was rolling again. With special tax credits because of its earlier losses, VW posted record $400 million earnings in 1976. And profits for 1978's first nine months were almost 40% over 1977. German investors who bought the stock in the bleak winter of 1975 have more than tripled their m

VW's new problems are quite diffe
To a great extent, VW remains a
product company in a cyclical indu
Though its Audi line offers some e
into the premium-priced market,
company's cars sell largely at the
modity end of the auto business.
makes VW especially vulnerable to
petition from Japan—especially
German hourly labor costs twice as
as Japanese. Of course, U.S. prod
also have high labor costs, but GM
far higher profit margins. It tends to
age 5% after tax, while VW is lucky
half as well. Why? Because much of
production is in the middle and uppe
of the market where profits run
higher than in the high-volume sub
pact lines where VW is strong.

Another part of VW's plight is
unlike its U.S. counterparts, it is he
dependent upon foreign business.
sales produce 60% of its revenues,
the figure at Ford and GM. The res
extreme currency exposure; a 1% dr
the deutsche mark value of the d
costs the company $9 million. Part
offset these pressures, VW rec
opened its new $300 million pla
Pennsylvania. After an initial u
problem (Forbes, *Nov. 13, 1978*),
plant is now in production, but wil
make money until 1981. And ma
cars outside Germany doesn't an
the need for a broader product range

Under these circumstances, VW's
for diversification is overwhelming
rivals are already far ahead of it on
score. Fiat, for instance, is now a

nerate with activities ranging from tion to nuclear engineering.
rance's state-owned Renault also ached out in the wake of the oil crisis. ow manufactures heavy trucks, agri- ural equipment, machine tools and l. Cars still comprise 60% of its sales, Renault has hedged those bets by aboration. It is working on a U.S. ership hookup with American Mo- Corp. and plans a joint venture with dix Corp. to build an $18 million tronic component factory.
chmücker, of course, claims that cars always be VW's primary business— company will invest $1 billion in its omobile operations this year. But the is that much management time goes the search for other opportunities. rare statement on the subject, VW's ear-old boss told the French motor- magazine *L'Equipe:* "We could get in- sted in . . . machine tools or electron- All we want is that the areas into ch we move have growth and high rn potentials."
hat Schmücker would really like, a German analyst close to VW, is to something in the U.S. But that gets ky: The German federal government the state of Lower Saxony each hold of VW's shares, and VW's worker- ctors could object if the company s to take cash outside Germany.
far, however, attempts to spend at e have met with more embarrass- t than success. Gutehoffnungshütte H), a $7 billion-a-year manufacturer eavy equipment, would provide an l counter-cyclical balance, and VW is ady in a small joint venture with its N truck-building subsidiary (FORBES, *25, 1978).* German analysts claim or GHH shareholders blocked an ac- ition attempt by Schmücker earlier year. VW denies it wanted GHH but its that last November it tried to buy Nixdorf, Germany's largest comput- ompany with sales of over $500 mil- . Nixdorf's family owners backed y from VW's bid for a majority inter- and retained control by selling a ller stake to Deutsche Bank.
eanwhile, VW is pouring money into arch—another route to new busi- es. It makes sophisticated robots for in its own plants and managed to sell units last year. But that is hardly a or product line. Other prototypes prove more significant: a high-effi- cy heat pump for home climate con- and a methane-powered motor.
chmücker's good fortune today stems arge measure from holding office at top of VW's product cycle—and in wake of shrewd product develop- t decisions made by his predeces- . He'll retire in seven years, and an- er successor will reap the harvest some very different decisions: mücker's own moves to diversify.■

You can tell a lot about an individual by what he pours into his glass.

Bushmills.
The world's oldest whiskey.
Individuals have poured this smooth mellow whiskey since 1608.

Dave Foster's Colgate is having indigestion from its $1.5 billion (sales) acquisitions.

The morning after

By Cynthia Saltzman

DAVID R. FOSTER took over as CEO of $4.2 billion (sales) Colgate-Palmolive Co. in 1971, with the aim of turning the nation's number two toothpaste-and-soap company into a diversified consumer products company. The marketing man who headed Colgate's household products was as good as his word: In only six years he has acquired 21 good-sized companies doing a solid $1.5 billion a year in food, hospital supplies, sports products and cosmetics.

But Colgate's earnings this year at $2.15 a share will be up no more than 6% from 1977—much less than the increase Foster predicted last December—despite an $11 million improvement in currency translation losses from overseas, where Colgate gets 63% of its operating profits. Without that currency gain, Colgate would have been down for the year; that's not supposed to happen to companies like Colgate. The most glittering of Foster's acquisitions, Helena Rubinstein cosmetics, will lose at least $2 million overall—down from 1977's $6 million in profits. Another key acquisition, $565 million (sales) Riviana Foods, will be down some 10% in earnings.

The soft-spoken, stocky Foster sits in his Park Avenue office and talks about his problems with commendable, almost startling, candor. While a financial officer fidgets nervously in his straight-backed chair, his 58-year-old boss raises a stout hand and ticks off on his fingers operations he wants to get rid of, the mistakes the company has made, the earnings projections that have fizzled.

"Seven years ago I said I hoped we could get our return on sales to 5% from 4.1%," he says with a touch of a British accent. "We certainly can't get that with Riviana's earnings down and Helena Rubinstein losing money."

Speaking slowly, steadily, pausing now and then to pick up his thick, black-framed glasses from a marble coffee table, he goes on: "With Rubinstein overreached, we oversold, we over duced. We didn't realize the pro wasn't going through to the consu until it was too late."

Riviana? Foster now realizes it c burdened with rundown acquisitior its own he wants to sell—like P burn's, a candy company he describ "a poor man's Whitman's—and we c think too much of Whitman's." Lum's (in Florida), once a fast-food h flyer, now grounded, and Ranch Hou regional restaurant chain.

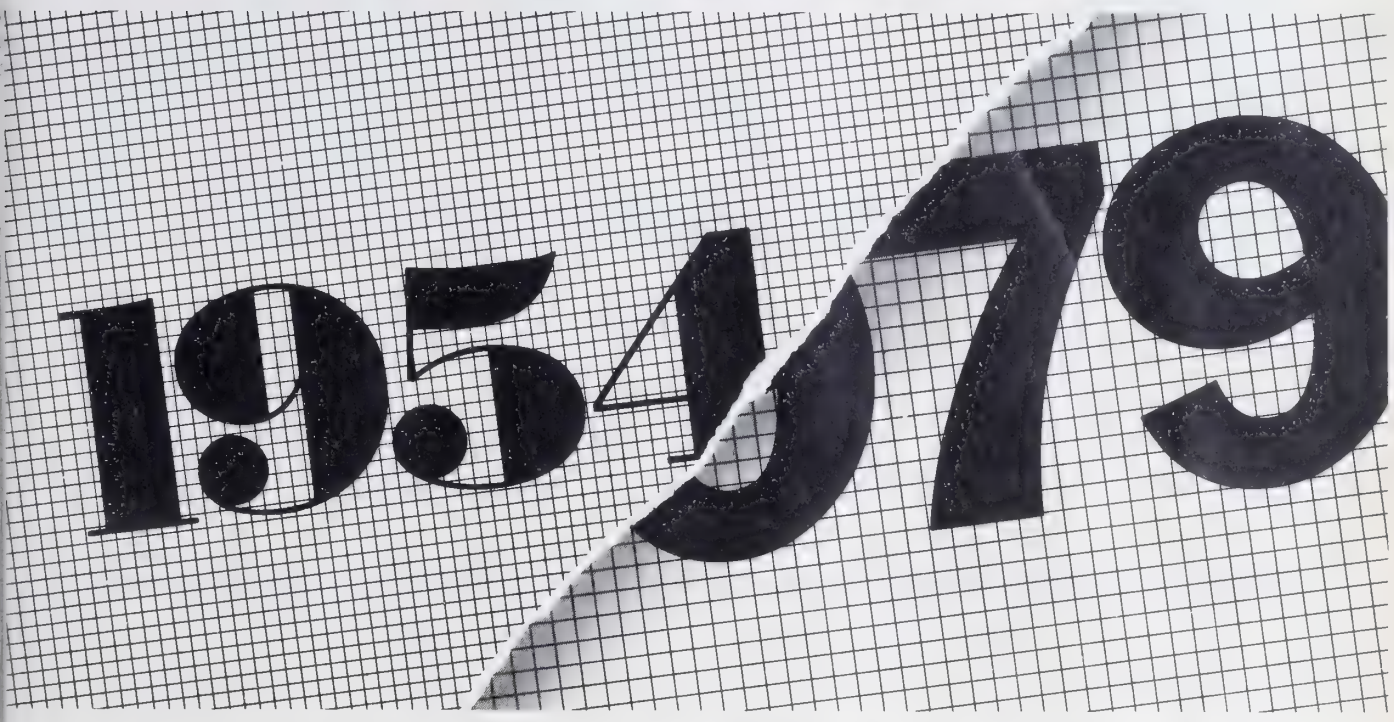
For 20 years Colgate has been tr in vain, to solve its basic dilemma: I U.S., it is a distant number tw Procter & Gamble. True, Colgate long had one of the best internati distribution systems for consumer p ucts, which helps account for its 15% return on capital over the last years. Yet P&G is still Colgate's n esis—twice as big and with an adve ing budget four times as big. Every gate CEO since the late 1950s has l trying to find a way around it. Ge Lesch, Foster's predecessor, now re but still a major stockholder, stabil the domestic business by expandin detergents, setting up a new product gram and instituting iron parsim throughout the company.

But the domestic gap between I and Colgate remained as wide as Foster's big-scale diversification, th fore, was tacit admission that P&G c be neither beaten nor flanked. Col would have to look elsewhere tha soap and toothpaste for growth and proved profitability. Foster's goal: d sify to the point where fully half gate's earnings and revenues come businesses outside its traditional pro lines. All through the middle Seven that strategy seemed to be working From 1972 to 1976, Colgate's earn increased by 95%. Its net on sales creased from 3.4% in 1971 to 4.3% 1976. Its common stock price rose $15 in 1974 to $34 in 1975.

It was important in Foster's view Colgate's slightly stuffy image was b transformed. In addition to Helena binstein and Riviana, there was Ker Co., a $500 million (revenues) hos supply company with a good consu line in Curad bandages and dispos diapers. There was a clutch of spo goods manufacturers—golf clubs, ning shoes, racketball equipment, te rackets, even baseball hats—a glamour to leaven all those familia products.

Then there was the Colgate D Shore Women's Golf Classic. For Foster bought a golf course and co minium complex—Mission Hills out Palm Springs, Calif. for which he about $5 million in 1974. This was tainly not the sort of thing the t

How's Lear Siegler doing in its 25th year?



Better than ever.

Lear Siegler has made a profit in each of its 25 years. Earnings for the first year were $775,000 and currently are at an annual rate of more than $50 million—a record pace. Sales have increased from $6.5 million to more than $1 billion today. The experience and skills of 25,000 individuals in LSI's diversified operations made it all possible. The celebration of our 25th Anniversary is marked by our pride of achievement and our confidence in the future.

If you would like to know more about us, write to Dept. AR, 3171 South Bundy Drive, Santa Monica, California 90406.

Vision made us what we are today

LSI™

LEAR SIEGLER, INC.

pursed George Lesch would have done.

But then things started to come unraveled. By early this year Helena Rubinstein, for which Foster paid $142 million in stock, was in serious trouble. Foster had installed Peter Engel, 43, a self-assured Colgate executive who had been in charge of Colgate's Western Hemisphere division, to run Helena Rubinstein. He gave him a free hand. Engel did exactly what Michel Bergerac (FORBES, *June 26, 1978*) chose *not* to do at Revlon. Previously, both Revlon, under the late Charles Revson, and Helena Rubinstein, under its legendary founder, battled it out for prestige in high-class department stores and boutiques whose arrogant buyers demanded exorbitant promotional giveaways and marketing support. That in turn was supposed to help sales in drugstores, where the volume is.

Bergerac, a cold-eyed numbers man out of ITT, recognized a loser's game and started pulling out of the department stores. Helena Rubinstein kept going down the same old track. Says Foster: "It was our biggest mistake. We were trying to maximize our sales in the department stores while everyone else was going to drugstores and independents. We were giving those stores something like 78% on sales [in promotion and advertising support] when our margins were only about 67%. So the more we sold, the more we lost."

In October, Peter Engel departed Helena Rubinstein, staying at Colgate as a consultant until Jan. 1. He now works for a family firm. Under his successor, William S. Shanahan, former vice president of marketing services, says Foster, "we are going back to the department stores with a more realistic approach." Meaning, Colgate is much more hard-nosed now with the customers.

But then things started to come unraveled. By early this year, Helena Rubinstein . . . was in serious trouble.

At Riviana, his other major problem acquisition, Foster is negotiating to sell off Lum's, Ranch House and Pangburn's. He is working on new rice consumer products, a market he's enthusiastic about because there is little competition in Europe and South America. Colgate has started a joint venture for a new rice product in Colombia this year, and is test-marketing a parboiled rice product in Europe. The aim, of course, is to add value (and profitability) to what is essentially a commodity product.

Meanwhile Colgate's traditional business in the U.S.—household names like Ajax and Fab, Colgate and Ultra Brite toothpastes—has been marking time. This year it will contribute only 8 corporate earnings on about 19 sales. Even in Colgate's European m bastions for those products, earning grow only about 8%. "How many ucts are you going to get the housew buy?" Foster says, with an en glance at P&G. "How many deter are you going to get her to fall for?"

The bright spot is Kendall, which petes with Johnson & Johnson American Hospital Supply. Since C took it over, Kendall's consumer ucts have been moved to other C divisions and its operations conso ed. Compound earnings have g some 15%. There's a moral in th course: Kendall was a good acquisit company with good product lines a excellent technological capability. moral is: The art of acquisition is t of buying good companies, not buying sales volume.

With Riviana and Rubinstein, Foster has found it's easier to buy digest, easier to turn a company i complex modern conglomerate tha it once you've done so. Colgate cont to be a highly profitable outfit; it e about 16% on stockholders' equit year, still below P&G's 19%. But mains precariously dependent on foreign earnings and has yet to sh can make a real go of it in tough businesses like food and cosmetics.

These Notes have not been and are not being offered to the public.
This advertisement appears only as a matter of record.

December 19, 1978

$231,500,000

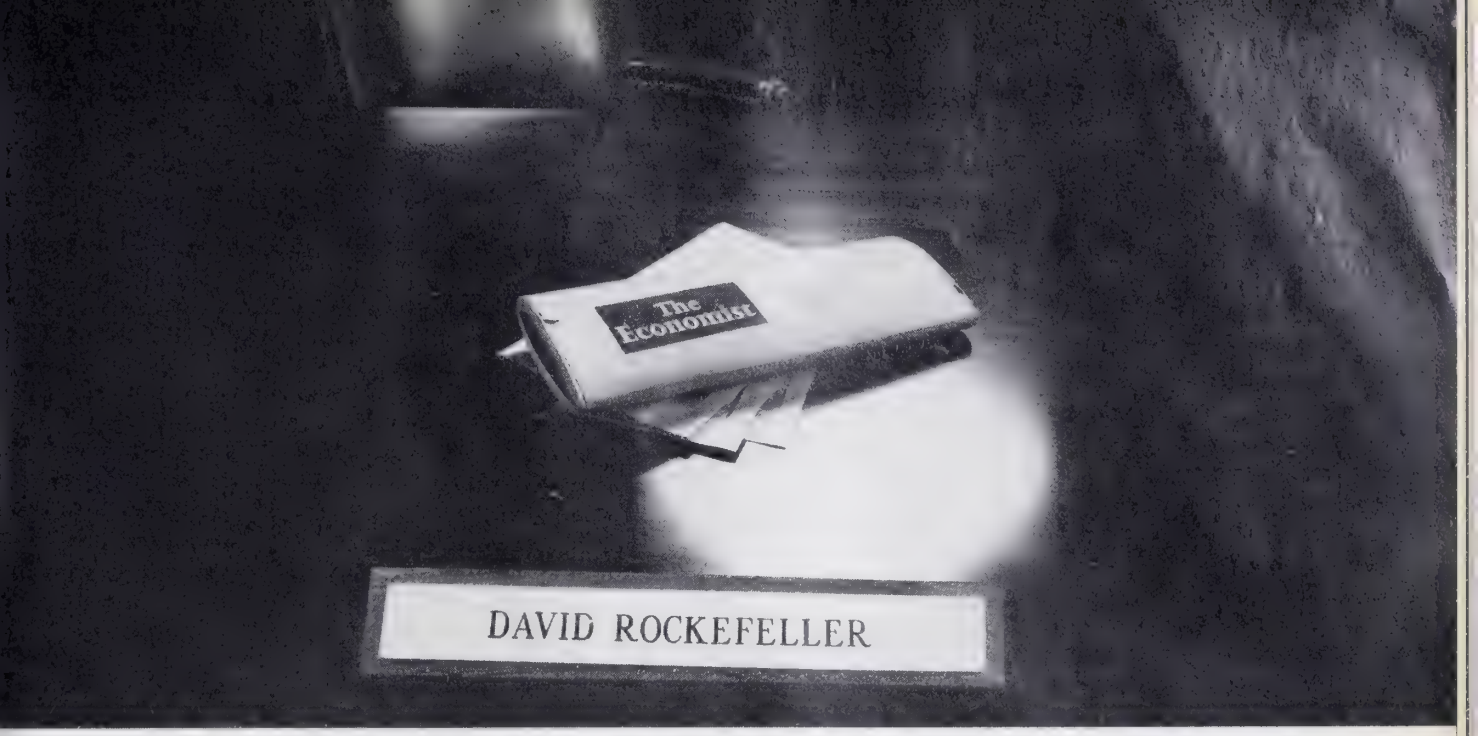
CHRYSLER CORPORATION

Notes Due 1993

The undersigned acted as financial advisors to Chrysler Corporation in the above direct placement consisting of $94,000,000 of new funds and the exchange of $137,500,000 of outstanding Notes.

The First Boston Corporation

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated



Perhaps you need The Economist, too.

It gives you a view of world politics and business you just can't get anywhere else.

ternational events reported weekly —with a difference.

135 years, the world's leaders have been ing The Economist for a penetrating ght into international affairs, politics, ness, science, technology and world trade the consequences. It is coverage you just not get elsewhere—no matter how much are willing to spend.

The Economist presents a total view of t's happening in America and abroad that eases your understanding of the interrela- ships between global affairs and the reali- of today's marketplace.

To those who say we're just economists, we say "RUBBISH!"

he uninitiated, our name conjures images ory towers. Of dust-dry academics. Noth- could be further from the truth.

The Economist is one of the most lively, ossing newsweeklies you can read. No and nothing is sacred as we report on er-than-life leaders...national goals erica's and others)...the jockeying for er here and abroad...how new legislation, ements, treaties affect the business of g business worldwide.

More than any other newsweekly, we dare to pin down the future.

etimes we've been wrong.

More often, we've been right. And that too s you an advantage hard to come by in a d where talk is cheap and guesswork can ostly.

A few of our recent "right" predictions: oil producer's cartel. The energy crisis. gers and demises in industry (like o/Saab-Scania). The tanker glut (we *warned* banks not to over-invest) and the Wall Street boomlet in early 1978.

But that's all history now. What you probably want to know is—

What we've been up to lately.

In recent issues we told why Mexico could be the next oil power...revealed the next step for international terrorists...zoomed in on Hollywood and the future of the world film industry...warned of deadly Soviet weapons ignored by SALT negotiators...and spun a report of a new recording disc that stores up to 15,000 pages of information for 10 cents.

And much more...including a view of—

America...as you rarely see it.

Our weekly six-page "American Survey" is a stimulating look at American news in the context of international affairs—a cool, level-headed perspective you would expect a critical and expert outsider to deliver.

The sun never sets on readers of The Economist.

The Economist is airmailed weekly to 160 world capitals. In North America, 28,000 leaders at "the pinnacles of power" turn to it weekly. *Newsweek* has called us "required reading on Wall Street and in the White House."

That's not surprising. The Economist has a knack for knowing—in advance—who's doing what to whom in Bonn, Zurich, Moscow, Peking...what's up (or down) with the dollar, the yen, the D-mark, the rand...what's new with the EEC, AEC, SEC, OPEC, even the CVP, the OECD and Comecon countries.

1979 will demand innovative solutions to a host of world problems. Businesses will falter, expand, turn venturesome, turn inward. Old markets will evaporate, new ones rise up unexpectedly. And The Economist will report it all—often first, with consistent accuracy, always from its special objective vantage that today's decision-makers cannot be without.

Sample 4 issues RISK FREE.

Get a different view. Get The Economist regularly. *You can sample 4 weekly issues risk-free* simply by returning the card bound in at left. (If someone's beat you to it, use the coupon below.) You'll get a special savings of over ONE-HALF the newsstand price and full assurance of a prompt, full refund if you wish.

Join The Economist with this RISK-FREE OFFER

To: The Economist
515 Abbott Drive, Broomall, Pa. 19008

Yes, I'll accept your special offer reserved for new subscribers: 39 weekly issues at just 77¢ an issue, which saves me over one-half off the $1.75 newsstand price. However, if I decide after receiving 4 issues that The Economist is not for me, I can simply tell you to stop air-mailing my issues and receive a full refund.

☐ Payment of $29.95 enclosed
☐ Bill me ☐ Bill my organization

Name

Organization

Address

City State Zip

1202

This offer applies only for new subscribers in North America

Can Britain climb out of the morass of pseu socialism? Yes, says this articulate Tory.

Missionary in Babylon

REGULARLY, Sir Keith Joseph treks to Britain's universities to lecture on what he calls "the moral and material case for capitalism." That's like preaching Christianity to the nobility of Imperial Rome; the British universities are the source of the intellectual corruption that has brought Britain to its present low economic position. Not surprisingly, Joseph's tightly reasoned rhetoric draws frequent boos, catcalls—and an occasional fresh egg or tomato. Undaunted, he proceeds with such sensible recommendations as curbing the chronic overstaffing that cripples his country's competitiveness or turning portions of Britain's Post Office over to private industry. Echoing Frederik von Hayek who warned 35 years ago that you couldn't have political freedom without free enterprise, Joseph feels that the British people will not permanently accept what amounts to a dictatorship by a handful of trade union leaders.

Joseph's think tank, the Center for Policy Studies, operates from a London town house headquarters that resembles the low-budget intensity of Ralph Nader's Washington digs. A Conservative member of Parliament since 1957, he was instrumental in installing Mrs. Margaret Thatcher as his party's leader. Unlike her counterparts for most of this century, Mrs. Thatcher isn't a middle-of-the-road Tory. And her party no longer aims to me-too its Labor opponents. That makes Joseph a leading candidate to become Chancellor of the Exchequer if the Tories win a soon-to-be-called general election. Interviewed by FORBES recently, Joseph declared:

"It is remarkable that despite such vivid evidence of failure the collectivist idea is still surviving, let alone strong. There are, of course, islands of [free enterprise] encouragement around the world—Singapore, Hong Kong, Korea. You'd think the contrast between what's happening there and elsewhere would have some effect. There was a kind of *annus mirabilis* last year when Mrs. Gandhi in India, Mrs. Meir in Israel and Olof Palme in Sweden were all toppled by more libertarian parties. I'm also impressed by what's going on in France now. But on the basis that Britain was the first of the free nations to go down, we aspire to be the trend turners."

The statistics about strikes and productivity don't give you much encouragement. What could reverse the present decline?

"First, you have to look at why capitalism is in such disfavor. An antienterprise snobbery has permeated this country for the past 100 years. You get a gentrification of the thrusting entrepreneurs, and it's made far worse by the socialist hostility to profits. We were pioneers in the Industrial Revolution, and everybody read all those novels about the evils of the 19th century. The middle class and the intellectuals became ashamed of their relative prosperity, and they have spearheaded a drive toward egalitarianism.

"That is what is ruining free enterprise. And your country is being poisoned by it just as we have been. There's an intellectual fascination with egalitarianism that captivates politicians. And let me say it's usually equality for others, not for them. They say the difference between the moderates and the extremists in the Labor Party here is that the moderates want to defer the revolution until they've put their children through private education.

Sir Keith Joseph
Are the intellectuals moving right?

"Inevitably, the market will reward those people who are successful more than those who aren't. But our opponents see this as a zero-sum game. They say that profits are at the expense of the public. However, the process of competition produces a better use of resources, so that however much profit is made the economy has gained. It raises the whole level of performance. What people forget is that those poor souls who move untarily to the 19th century slums—horrible though they were—have had less horrible existences than in the rural poverty from they fled.

"The difference in today's atmos is this: I spend a lot of time in the u sities, and the intellectuals are m over [to our side]. The momentu toward a free economy. The present ers and civil servants of this co were brought up at the height o Fabian Socialist boom. The gener that is going to dominate the end o century sees the results, and it is aff by the present academic environme

Even if you're right and a few intelle are converted, what about all those wo people whose votes win elections?

"Well, it is one thing to put the lectual case and another to shift p But remember that collectivizati very unpopular in this country. We'l the next election if 35% to 40% trade union members vote Conserv The last election 30% of them did.'

Conservatives have been in powe most of the years since the Second War—the time when Britain's welfare was created. Why will they manage the omy any differently now?

"Recent Conservative governm shared with Labor the principle o mand management. That means the nomic steering aid was the unem ment statistics. They assumed tha crude total of registered unemploy indicated a demand inefficiency. I employment went up by 1%—ev there were more vacancies than u ployed people—it was still consi right to pop extra demand into the omy. The result was a steady increa inflation.

"In our new Conservative go ment, the central navigating tool is g to be the growth of money supply. we'll do it on Milton Friedman's and not fiddle around with that rat ther. Also, we regard public spendi taking far too large a proportion o national income. So we'll cut spen both as a way of reducing borrowing to let us lower taxes. After all, the ent government slashed the budget billion in one year when the Internat

“ ”

We'll let your
insurance agent or broker tell you,
in his own words,
why we're different.

Group of Insurance Companies
100 William Street, New York, N.Y. 10038

The more you trade the more you'll save. Automatically.

When you trade at Source, you are guaranteed a discount of at least 30% and as much as 81%.* Furthermore, you earn your higher discounts automatically. Each month our computer reviews your commission volume and, based on a fixed volume discount schedule, raises the discounts you're entitled to.

Example of an 81% Discount at Source

Source's highest volume customers pay a commission which is the lower of a 50% discount or $15 per hundred shares.

For example, on a trade of 200 shares of a $55 stock:

a. The last NYSE commission is $161.46.
b. Source's commission at a 50% discount would be $80.73.
c. Source's flat rate charge would be $30.
d. The commission charged is the lower of the two, $30.
e. The discount from the last NYSE commission is 81%.

To find out what discounts you can earn at Source, call or write for our free Commissions and Services brochure. Call toll-free 800-221-5338 or in New York State call collect at 212-269-9127.

*From last NYSE fixed commission schedule in effect prior to May 1, 1975, subject to a $25 minimum charge per order.

Source Securities Corporation, 70 Pine St., New York, N.Y. 10005
☐ Please have someone from Source call me.
☐ Please send me your free Commissions and Services brochure and new account application.

Name_____

Address_____

City_____ State_____ Zip_____

Bus. Tel. (____) _____ Home Tel. (____) _____

FOR1/22

SOURCE
MEMBER NYSE, NASD, SIPC

The broker for experienced investors

Slip Cases For FORBES

Rugged and handsome cases in red and black with title embossed in gold. Prices: $4.95 each, 3 for $14.00, 6 for $24.00. Send check to Jesse Jones Box Corporation, Department FB, Post Office Box 5120, Philadelphia, Pennsylvania 19141. Please allow three to four weeks for delivery.

al Monetary Fund told them to. W
happened? Unemployment went u
three months and then came down
whole year."

You've drawn considerable public
with some of your ideas about nationa
industries. Are you going to be able t
them all?

"Well, we're under a commitme
offer a couple of industries back t
people from whom they were taken
we're not going in for wholesale
tionalization. Frankly, it isn't likely
there'll be lots of buyers for British
when it's losing £1 billion a year. W
think we can work out more pa
ships with the private sector—pe
operations like British Petroleum—
private, half public.

"The important thing is that we
tell industry how to run its affairs
come across cases of firms that we

"Your country is being soned by it just as we've b There's an intellectual fasc tion with egalitarianism captivates the politicians."

manufacturing and found interferen
great that they've chucked empl
people and become importers. A
houseman and a couple of clerks in
of 100 workers in a factory. With
regulation, businessmen will take
risks, and there will be more jobs
central mechanism—not even one
by Mr. Getty and the original Mr. R
feller—can replace the astronomi
large number of private decision m
in a properly functioning free ente
system."

Changes like that can't happen over
What you're talking about is an econ
revolution.

"It will take at least ten years t
store the economy of this count
we're elected, you'll begin to see a
fect in one year. But the real k
whether the Labor Party moves t
right or to the left. At the mome
looks as if they're moving to the
There is an interesting contrast wit
Germans, though. Their Labor Part
forsworn Marxism completely. Cha
lor Schmidt has more in common
Mrs. Thatcher than he does with
Minister Callaghan.

"Remember, the central benefit
free enterprise system is that it sus
freedom. It is based in decentralize
cision making and decentralized ow
ship, and they are only compatible
freedom. You can have free ente
without freedom—and I suppose S
Africa is an example—but you ca
have freedom without free enterpri
is the economic manifestation of
society. That is the crucial issue."

at was bad for its big international com-itors has turned out to be good luck for al Dutch/Shell.

How Shell caught up

By Paul W. Sturm

OR YEARS, Royal Dutch/Shell was the weak sister among the Seven Sisters, the international giants dominate the petroleum industry. four years before the 1973 oil price the Group's return on equity aver-nder 9% annually. That placed it ow the U.S. multinationals, paced xaco's 13%. But no longer. In the ears since 1974, Shell leads the Sisters: Its 17% average return is percentage points above second-l Exxon.

h dual headquarters in London and ague, Royal Dutch/Shell is the larg-mpany in the world based outside the U.S. Its revenues of $42 billion last year rank it second only to Exxon in the oil business—and more than one-half again as big as the likes of Gulf, Standard of California and Texaco. Its 100 far-flung subsidiaries make it the very model of a modern multinational. "We've got large, integrated companies in eight places: Australia, Canada, France, Germany, Japan, the Netherlands, the U.K. and the U.S.," says C.C. (Michael) Pocock, chairman of the Group's board of managing directors. Houston-based Shell Oil Corp., its 69%-owned U.S. affiliate, accounts for only one quarter of the parent company total.

Why the remarkable turnabout? Thank OPEC. Since 1907, when it was created through a merger of Royal Dutch Petroleum, a producing company with extensive Asian interests, and Shell Transport & Trading, a marketing organization founded by a London merchant banker, Marcus Samuel, the Shell Group has been short of crude. It still buys about 60% of its oil in the open market, more than any other major. That was a significant disadvantage when other companies had juicy arrangements with oil-producing countries, but it hurts far less today, when Shell's competitors have lost most of their high-profit crude through forced buyouts or confiscation.

"Because it was so weak upstream, Shell always had to keep its refining and marketing side in trim," explains petroleum consultant Paul Frankel. "Now that the huge profits at the wellhead are gone for everybody, Shell can adapt much better than the others." The Group's Treasurer Howard Macdonald agrees: "We always could sell oil better than we could find it, so in a sense the OPEC changes were a good watershed for us."

The improvement shows clearly in long-term results. In 1970 Royal Dutch earned a shade under $4 a share when Exxon, for example, earned $3. By 1977 Shell's earnings had risen nearly 200%, to $11.73 a share, while Exxon's were up less than half that amount.

Things were confused last year, however, by the Financial Accounting Standards Board's rules governing currency changes. Because the pound sterling was weak in the first quarter of 1978, Shell's earnings were "reduced" by $500 million. With the pound stronger in the fourth quarter, however, profits will presumably be "increased" then. Partly because of such silly accounting rules, Royal Dutch reported a 37% drop in earnings to $1.3 billion for the first nine months of 1978.

Another accounting technicality causes still more confusion. As a U.K. company, Shell must use a first-in-first-out inventory valuation while its U.S. competitors use the last-in-first-out method. Thus when OPEC producers make abrupt changes in the wellhead price of oil, the Group's earnings are out of sync with industry cycles.

Oilmen, however, see more significant indicators of Shell's good health in the way it manages to post better downstream profits than competitors. The Group now sells about one-third of its product mix as gasoline—an increase of 20% over the past five years. As a result of that yield-maximizing move, trade sources say Shell has recently passed Texaco to become the top gasoline marketer in the U.S., where each Shell station pumps 55% more gallons than the industry average. In the same period, Royal Dutch's sales of low-margined fuel oil have dropped from 30% to 24% of its total volume. Both those changes are remark-

l Pocock, top man on Royal Dutch/Shell's board of managing directors
h in oil until 2050—if Shell stays in the right parts of the business.

able in their scope and speed for a company that sells one-tenth of the world's petroleum. Clearly, Royal Dutch's vast size does not render it inflexible.

Within the Shell Group, such shifts in product mix are called "whitening of the barrel," and this is a key corporate objective. "There is an obvious plateau of oil volume—probably at about the year 2000," says Chairman Pocock, an Oxford-educated executive who earned his stripes running Shell operations in Venezuela. "From then on, every year fewer barrels will be used; and the uses will be in transportation and chemicals. No more burning oil for steam; that will come from coal or nuclear power. So we think the oil business will be strong until 2050, but only if you're in the right parts of it."

That explains Shell's massive investment in chemicals. Its worldwide chemical operations produce over $6 billion a year in revenues, making the Group half as big in that industry as Du Pont. What's more, Shell kept pouring money into the business after other companies cut back. In 1977, its chemical expenditures were well above $1.2 billion—over half the total of all the oil majors.

At the moment, with Shell chemical plants losing money in Europe and barely profitable elsewhere, that commitment seems questionable. Royal Dutch's chemical earnings in 1978 were probably below $100 million, one-fourth their total two years ago. "Of course, our return on that capital looks sick today," says Pocock. "But we can afford to invest counter-cyclically, which is something a straightforward chemical company can't do. Come back in 1981, and we'll show you the results."

Mention tankers or nuclear reactors, however, and Pocock becomes far less sanguine. Shell may be losing $100 million a year now on its shipping operations. Its own overbuying is largely to blame. The Group pioneered the use of supertankers in the mid-Sixties. Competitors rushed to catch up, and shipyard overcapacity resulted. Instead of cutting back, Shell weighed in with massive orders. "We thought we saw another opportunity to invest when everybody else wasn't," Pocock explains. "Obviously we shouldn't have bought those ships, even at half the price." The Group's marine troubles are now reversing, but at one point it had 15 huge tankers, worth $30 million each, lying idle.

The flyer in Gulf Oil's General Atomic Co. was an even greater fiasco. Shell put up $200 million to become a partn that operation late in 1973, and s losses have come to over $400 mi General Atomic, which aimed to de a new reactor technology, is now la out of business, but legal claims litigation with United Nuclear could bring still more expense.

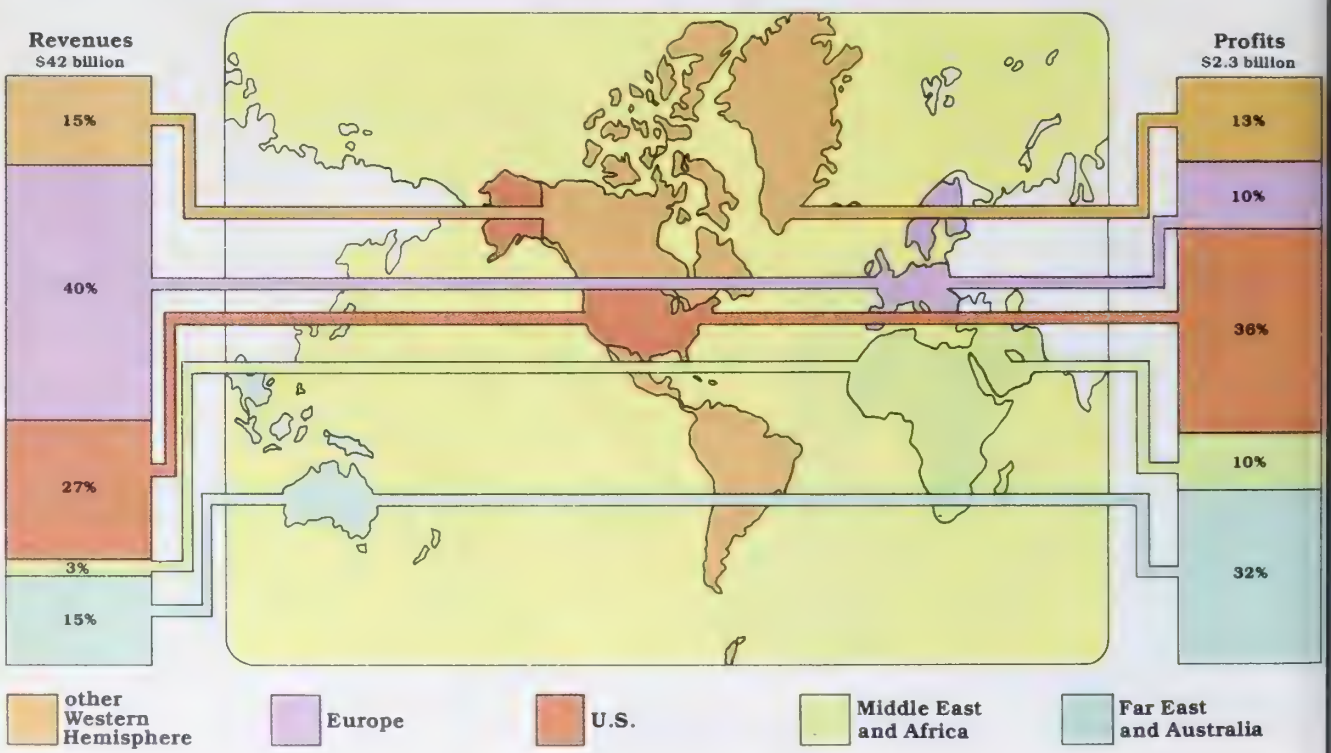
One move that hit the jackpot, ho er, was Shell's foray into liquefying ral gas. Back in 1970, Shell launcl pioneer project to supply Japan Brunei, a tiny sultanate on Bor north coast. Today, that $600 m investment is the world's largest venture. With a fleet of seven shi provides nearly half of Japan's na gas, and Shell's share of the profit ru $150 million annually after tax.

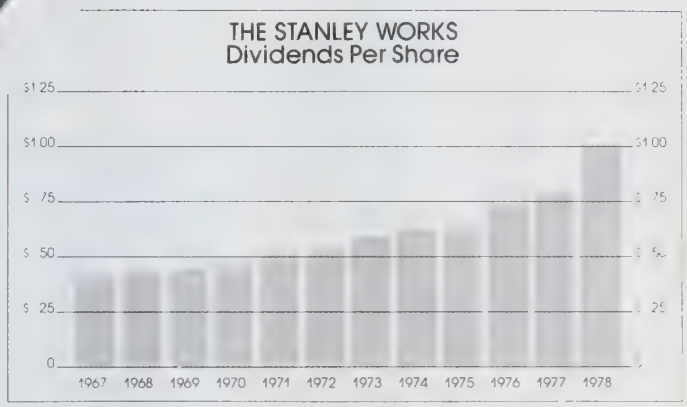
Already, Royal Dutch has plans t low that success with similar efforts where. "The company has a de strategy for the Eighties," says ar Constantine Fliakos of Dean Witter nolds. "Now they're getting nearly of their earnings from Brunei an Groningen gas field in the Netherl but as those taper off they'll be bri in several new LNG projects and N Sea production."

The Shell Group also has a big sta

Where Shell collects its money

Royal Dutch/Shell makes money all over the world, as this estimated breakdown of its 1978 results shows. But U.S. earnings are only about one-third of the total, versus one-half or more for the U.S.-based oil giants. Shell's best return on investment comes from the Far East. Recently, it has earned 19% a year (pretax) on its assets there. In the U.S. the comparable figure is 10%, but it is only 2% in Europe, where refinery and chemical overcapacity depresses margins.





STANLEY HELPED DEVELOP DO-IT-YOURSELFING INTO AN INDUSTRY NEARLY 4 TIMES BIGGER THAN PHOTOGRAPHY.

The industry that started with a Brownie™ has rown into a giant, with retail sales of $4.9 billion.* But ne growth of do-it-yourselfing has been even more xciting. It's an $18.8 billion** industry that's nearly oubled in size in the last five years alone!

Stanley began supporting the do-it-yourself gen- ration when it was still in its infancy. And being early elievers really paid off. As money became tight, peo- le found it made more sense to improve their homes han to sell them. Professional help became harder to nd, and more expensive. So homeowners began oing their own maintenance and repairs. And they iscovered it was fun!

Nearly 3/4 of all Americans now consider them- elves do-it-yourselfers. And almost half have home workshops.*** We've supplied them with tools, hardware, and drapery hardware. We've anticipated their needs with new products like Stanley's "U-install" do-it-yourself Garage Door Opener. We've given them building ideas with our growing library of "How To" plans. And, because our products are basic, lasting, and affordable, we've prospered through inflationary times.

So when we say "Stanley helps you do things right,"™ we're talking about investing as well as do-it-yourselfing. Our record supports our claim: 102 consecutive years of dividend payments, and dividends that have increased steadily for the last eleven! Write for complete information to Thomas K. Clarke, Vice President, Finance, at the address below.

STANLEY®

LEADING THE DO-IT-YOURSELF INDUSTRY.

THE STANLEY WORKS, (SWK) NEW BRITAIN, CONNECTICUT 06050
TOOLS, HOUSEHOLD PRODUCTS, BUILDERS PRODUCTS, INDUSTRIAL PRODUCTS

fman Report 1977-78, Modern Photography Magazine. **Building Supply News' Bureau of Marketing Research, Inc., 1977. ***Hardware Age, February 1976, "Faces in the Crowd" Study. © 1978, The Stanley Works

the North Sea. It is now investing there at the rate of $1 billion annually—nearly one-sixth of its worldwide capital expenditures. Technical difficulties abound in such deep, rough waters, but Pocock worries most about politics: "The attitude of the government is absolute nonsense. They say, 'You can't have a bonanza. It's socially unacceptable. But if you get in trouble, just come to us and we'll allow the return you need to make things viable.' Well, exploring for oil doesn't work that way; it never has."

With the political risks in oil growing, Royal Dutch is hedging its bets. It isn't out to be a true conglomerate like Mobil, but it is quietly learning how to sell consumer products *(see box, p. 43)*. Also, in 1970, the Group bought Billiton, a Dutch metals company with worldwide revenues of about $1.2 billion.

Shell is building a stake in coal, too, though true to form its approach differs from the competition. "It makes sense for U.S.-based companies to acquire domestic reserves," says Pocock, "and our U.S. subsidiary is doing that. But we figure that there will soon be an international coal trade, and we want 10% to 15% of it." To be ready, Royal Dutch is lining up coal transport ships, negotiating sales agreements with producers around the world and exploring for its own reserves in areas—such as southern Africa—that could become major export centers.

How do you run a company as big and diverse as Shell—$42 billion and 100 subsidiaries, many of them huge? Decentralization is a cornerstone of its corporate operating philosophy. In fact, the Group has functioned effectively without a chief executive since hard-nosed Henri Deterding retired in 1936. "He was a tough, dynamic leader," says Pocock. "But that kind of control isn't acceptable for a big company today."

Instead, Pocock and his seven managing director colleagues set Group policy and approve all investment of over $20 million at weekly Tuesday morning meetings. The sessions are held alternately in The Hague and London, and even though four nationalities are represented, no question ever gets a formal vote. To ward off accumulations of power, retirement is mandatory at age 60. "We don't want our managers in the field to feel we're sitting here telling them what to do," says Pocock.

Such a hands-off approach to the oil business may not be typical, but it clearly attracts Wall Street. Americans now hold one share in seven of the stock in Shell's parent companies, plus a 30% minority interest in their domestic subsidiary. Combined, that's a $3.5 billion stake—the largest in any foreign corporation. If Royal Dutch's focus on the future is correct, the investment should prove a shrewd one. ■

Shell versus P&G?

Exxon is dabbling in office equipment. Mobil is into retailing and real estate. Royal Dutch/Shell, too, is experimenting far afield from its traditional petroleum business. Just after the OPEC price hike, it quietly set up a subsidiary to market consumer products in the U.K.

That company, Temana International, is based in suburban London. Last year its sales were roughly $200 million—with pretax margins that should approach 15%. Though Temana does peddle fly-killers, insect repellents and other traditional petrochemical spinoffs, its line doesn't stop there. It recently acquired one of the U.K.'s largest seed companies, and perhaps its most successful venture is Airbal solid room deodorizer. The Shell subsidiary also mounted a TV ad campaign recently to introduce Breathe Easy, a cold remedy that uses the same slow evaporation principle as Airbal.

"We're looking for a niche in specialty household products—comparable to the things that S.C. Johnson & Son, Inc. makes in the U.S.," sa Temana's managing director Ja Slechte. Like Johnson, Temana a ready has an institutional product li that includes cleaners and detergent It is also heavily into exports, doi perhaps 10% of its business in deve oping countries.

"Unilever and Procter & Gamb shouldn't worry about us," says M chael Pocock, who chairs Shell board of managing directors. "We ju want to see what it is like to distri ute through supermarkets." Howeve the Group is also gaining a marketi savvy that meshes well with the trer for some service stations to peddle broad line of nonautomotive ware "Obviously, we're not making a b splash about the fact that Shell is b hind us," Slechte concludes. "W don't want to frighten off the comp tition." Like all Royal Dutch oil tan ers, the Group's consumer produc subsidiary is named for a particul species of crustacean. Appropriate enough, Temana means "little shell deep water." —P.W.S

Four keys to profit: a good product, a good sales rep, a good credit manager and Dun & Bradstreet.

Dun & Bradstreet?

Yes, Dun & Bradstreet. Because, with 9 out of very 10 business transactions done on credit, the right redit decisions can substantially affect a company's arnings.

It takes the evaluation skills of a professional redit manager. And it takes Dun & Bradstreet, the usiness world's number one source of commercial redit information.

Only Dun & Bradstreet arms credit managers ith complete information on 5,000,000 companies orldwide. Up-to-date information, so credit can alert les to changing situations among current customers. Growth patterns that can steer a sales force to new profit opportunities.

Most importantly, complete credit reports from D&B can help credit managers increase net profits by reducing the average collection period of receivables.

Consider the impact on profits if your customers paid you an average of just 10 days sooner. For a paper maker with annual sales of $40-million, this translated into a $50,000 increase in after-tax profits or approximately a 10¢-per-share gain.

The credit manager and Dun & Bradstreet. Two of the keys that can open doors to more profits.

DUN & BRADSTREET
The essential business™

Other Dun & Bradstreet Companies serving the essential need to know The Reuben H. Donnelley Corporation • Corinthian Broadcasting Corporation
Dun & Bradstreet International • Technical Publishing Company • Moody's Investors Service • Dun's Marketing Services • Management Consulting Division.

With every fiber of its being, Detroit yearns to sell big cars, but Washington's rules are changing both technology and marketing strategies.

How about something a bit smaller?

By Paul Gibson

Ford Motor Co. is running scared about its gas-mileage carryforwards. And well it may.

You've heard of tax-loss carryforwards, but not gas-mileage carryforwards? These are credits or debits the automakers accumulate each year for exceeding or falling behind the new fuel economy standards for cars and trucks. They could be crucial in deciding how much profit the carmakers show in the early 1980s. They will also be a key factor in the coming weeks as Detroit again starts battling Washington over fuel policy.

They work this way. For every one-tenth of a mile each car fleet falls below the limit, the manufacturer must pay Washington $5 for every car sold. Conversely, there's a $5-per-car credit for every one-tenth above the mark. These credits can be applied against future debits, but only in the following year. Confided a top auto executive recently to Forbes, "These penalties could break even a sizable company." For example, if Ford, which builds and sells about 2.7 million cars annually, misses the gas-mileage standard by a mere 5/10 of a mile it must pay the government $63 million—about 22 cents a share after taxes.

It was back in 1975 that Congress mandated the corporate average fuel economy (CAFE) standards starting at 18 mpg in the 1978 model year and rising in stages to 27.5 mpg in 1985. Initially Detroit—despite much grumbling in public—reckoned privately that it could meet the standards without too much sweat. Now the carmakers are having second thoughts. Says Ford Executive Vice President Fred G. Secrest, "Our optimism is fading fast."

In 1978, the first model year under the program, all the carmakers easily exceeded the 18 mpg standard *(see chart)*. Now the going gets tougher. For both the current and the 1980 model years, the standard rises by 1 mpg a year. In each of the following three years it rises by 2 mpg a year, with a final 1.5 mpg spread over the last two years of the program.

GM recently announced that it is faring far worse than expected. Instead of its preseason 19.7 mpg estimate, GM now is hoping to scrape by at 19.1 mpg and President Elliott M. Estes says GM's fleet average recently was down to a meager 18.9 mpg. Ford isn't giving out details, but both AMC and Chrysler Corp. say they will beat 20 mpg.

However, Chrysler only looks so good because its bigger cars are selling so poorly. In 1978 Chrysler, with its subcompact Omni and Horizon models, won an impressive 20% of that market, *vs.* 3% of the full-size car market—which is where the real profit is. Result: Chrysler in 1978 posted about a $220 million loss.

Whereas Chrysler is doing well in subcompacts, Ford is doing poorly there. Its Pinto, plagued with bad publicity, has dragged down the Ford division at a time when Lincoln-Mercury has been plowing ahead. By December Lincoln-Mercury's 1978 model year sales were up 6% *vs.* an 11% dip for the Ford division.

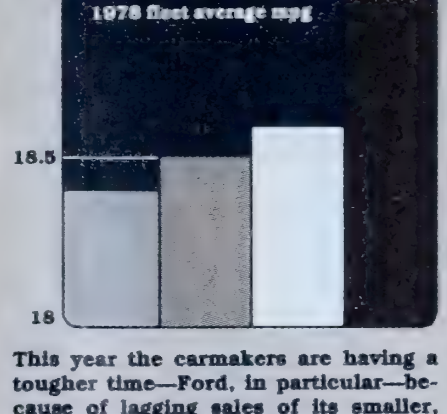
So last October Ford began limiting sales and restricting availability of some larger-engine cars while selectivel ing prices on them. Its competito lowed suit, but in Chrysler's cas smaller increases.

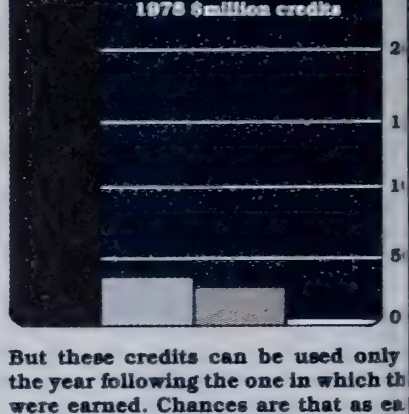
Previously automakers aimed marketing strategies at selling as proportion of big, expensive cars a sible. But the EPA regulations are this to change. Well and good—t why the rules were imposed. The t is that, after imposing the rules, th made them tougher. There's no qu that, when the car companies talk keting strategies today, what's most in their minds is meeting standards. Ford, for instance, s would have to make "drastic chan its plans" if the 1979 standards even one-tenth of a mile more stri Ford would either have to sell extra Pintos (a tough assignment their present popularity rating) or tra 160,000 Fairmonts (difficult this model is trailing its year-earli ures) or forego producing 225,00 size family cars. That would be like ting down a two-shift assembly pla a year, says Ford, and jeopardizing 2 jobs. Not to mention a lot of profit

Chrysler thinks it can use its p high fuel score to improve market "Because we have a nice margin o ty," says Chrysler Vice President S Terry, "we can push sales of the cars and not worry where we end up our average mileage figure. That's plus when you're out there mark cars." So don't be surprised if this Chrysler, under newly installed

Why Ford Motor is beginning to sweat

To curb the use of energy, the car fleets produced by each automaker must deliver, on average, at least 18 mpg in the 1978 model year, 19 mpg in 1979 and rise in steps to 27.5 mpg in 1985. For each one-tenth of a mile below or abo the standard a $5 charge or credit is against every car made. In 1978 all f beat the target—General Motors eas Ford Motor less so.





This year the carmakers are having a tougher time—Ford, in particular—because of lagging sales of its smaller, more efficient vehicles. Because of the large credits picked up in 1978, it's unlikely any car company will end up owing the government money this year.

But these credits can be used only the year following the one in which th were earned. Chances are that as ea as 1981, when the standard rises to mpg, automakers with few—or n credits to bring forward can begin face stiff penalties.

Ford
Chrysler
AMC
General Motors

Lee Iacocca, announces some big
and wins a flurry of daily headlines.
its part GM is about to make an
un. A loophole in the regulations
s a model year to contain more than
endar months. So in mid-April GM
unveil its new front-wheel drive
acts, its X-cars, under the Nova,
ix, etc., trademarks designating
as 1980 rather than 1979 models.
their mileage will count not for the
t but for the next model year. It
s a lot of sense for GM. Figure it
way: GM racked up substantial
ge carryforwards in 1978, so even if
below 1979's standards it will not
he government a dime. By putting
w compacts into 1980 it will accu-
e more huge credits that it can
forward into 1981, the first year in
there's a 2 mpg increase.
ording to GM President Elliott M.
the X-cars will do around 25 mpg.
ally they account for about 11% of
total sales, but with a 17-month
year they will account for closer to
nd probably lower GM's fleet aver-
least 1.5 mpg.
as the situation is with cars, De-
now must worry about trucks.
ng next year, Congress will raise
eight of trucks regulated (from
pounds to 8,500 pounds) while in-
they get a 2 mpg increase in each
year. Says Chrysler's Terry flatly:
ink we can make 1980, but there's
y we can meet the 1981 require-
." In recent years many people have
using light trucks and vans as per-
cars, with Chevrolet and Ford easily
over 1 million units annually and
ler, half a million. The new tough
rds now threaten what has become
tive market.
v Detroit is switching to the offen-
alling for Washington to open con-
onal hearings into its gas mileage
ms. Among other things, automen
ress in the coming weeks for a
nt-line approach to the gas mileage
ses. Instead of the standard rising
npg a year in the early 1980s, they
yearly increases of only 1.5 mpg.
imple change, says GM, could save
dustry between $5 billion and $8
in extra costs net of any charges
creased fuel consumption. Further
s of dollars, says GM, could be
simply by extending the 27.5 mpg
one year to 1986.
Congress go along? This month
ess is due to receive a report from
ational Highway Traffic Safety Ad-
tration, which enforces the regula-
The bureaucrats are expected to
that Detroit has both the technol-
d the funds to meet all the dead-
But with automen warning of mas-
ncreases in car prices, and huge
, don't be surprised if Congress
des the NHTSA. ■

If you think collecting coins is kid stuff, play around with these investment figures.

	U.S. Rare Coins	Dow Jones Avg.
Capital Invested 1971	$10,000	$10,000
% Increase by 1978	30%/yr.	−1%/yr.
Return on Capital	$21,000	$ 9,400

Since 1948, U.S. rare coins outperformed the Dow Jones by a staggering 2,295%. Since 1971, a representative portfolio has grown 30% a year. The IRS has even OK'd rare coins for IRA and KEOGH pension plans. That's why more customers are coming to us. With 30 years' experience, we help you get the coins you want at fair prices. Whether you invest $50 a month, or $50,000 in a day, we give you the personal counsel and service you need.

For more detailed information about our various investment programs, write Rare Coins, Littleton, New Hampshire, 03561.

Name _____ KS-5

Address _____

City _____ State _____ Zip _____

Littleton
Rare Coin Investments

LOOK TO THE STARS.

Compare the tax-free* yield of Fidelity High Yield Municipals with that of any other fund, managed or unmanaged.

Then, consider The Fund's features. Full-time management. Daily liquidity. Automatic reinvestment. No sales charge.

We think this combination of high tax-free yield and features is unmatched.

Learn more today.

CALL FREE
(800) 225-6190
In Mass. call collect (617) 726-0650

*A portion may be subject to Federal, state or local taxes.

★★★★★

FIDELITY HIGH YIELD MUNICIPALS

P.O. Box 832, Dept. JB012279
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____

Address _____

City _____ State _____ Zip _____

FIDELITY GROUP
Over $3.5 billion of assets under management

Even with the weakened dollar, foreigners came to America to raise $1.6 billion in bonds last year.

Yankee bonds

"CARTER BONDS" is the nickname for two recently floated three- and four-year bonds the U.S. government issued in West Germany and denominated in deutsche marks, $1.6 billion worth. "Yankee bonds" are those of foreign governments or foreign companies which come to the U.S. capital market to float debt issues with interest and principal paid in dollars; these Yankee bonds are registered with the Securities & Exchange Commission and sold in the U.S. in contrast to the Eurodollar bonds, which are unregistered and sold abroad.

Carter bonds can be bought only by German residents, but anyone can buy Yankee bonds. The restrictive interest equalization tax, which socked U.S. investors who bought foreign securities, was ended in 1974. During 1977 Yankee bond sales reached a peak of 29 issues worth $2.3 billion. With the weakened dollar, 13 issues totaling $1.6 billion were still issued in 1978.

Even with the dollar's instability, many countries like Norway and the U.K. or enterprises like Nippon graph & Telephone and the Eur Investment Bank still come to th They like the huge U.S. capital m which can handle larger financing relative ease. Longer-term maturiti to 20 years, are hard to sell in Europ so here.

From an American investor's po view, Yankee bonds have many a tions—not the least of which is high yield. Most are backed by th faith and credit of a governmen merely a company. Most are rated A, highest-investor quality.

Yankee bonds generally have a yield premium ranging from ½ 1½% more than comparable U.S. suries, according to First Boston, a er in Yankee bond financing. For ple, while long-term U.S. Treasuri yielding 8.9%, the Société Nationa Chemins de Fer (the French ra system) yields 9.32%. The Vene 8¾s of 1992 yield 9.6%. Ban which handles financing for p works in Mexico, yields 10.35% bonds due in 1982.

Are Yankee bonds for the People public of China next? None are in but you never know. ■

Yankee doodle dandies

High yields and Triple-A ratings of many foreign issues floated in dollars make them attractive to U.S. investors—while giving foreigners a chance to play currency roulette.

Issue	Coupon	Maturity	Amount outstanding (millions)	Recent price	1978 Price range	Current yield	Yield to maturity	S&P ratin
Commonwealth of Australia	8.45 %	1983†	$175	97¾	100⅛–97	8.64%	9.07%	AAA
Commonwealth of Australia	9.125	1993	75	98⅞	101¾–96⅜	9.23	9.27	AAA
Republic of Austria	7.80	1984	50	93½	98½–92	8.34	9.34	AAA
Republic of Austria	8.625	1992	50	95½	98¾–95½	9.03	9.21	AAA
Banobras (Mexico)	9.25	1982†	50	96½	100½–96½	9.59	10.35	NR
Federal Republic of Brazil	9.00	1982†	85	95½	100 –94½	9.42	10.50	NR
Caisse Nationale des Autoroutes	9.125	1997	50	98¼	99¾–97½	9.29	9.32	AAA
Electricité de France	8.875	1983	100	97	102 –97	9.15	9.78	AAA
Electricité de France	8.50	1987	50	95	99 –94½	8.95	9.37	AAA
European Coal & Steel	8.125	1984	75	94⅝	100 –94½	8.59	9.31	AAA
European Coal & Steel	9.125	1997	75	96	101 –94	9.51	9.59	AAA
European Economic Community	7.625	1982†	100	94½	98⅜–92⅝	8.07	9.47	AAA
European Investment Bank	8.625	1985	100	96⅜	100⅜–94½	8.95	9.38	AAA
European Investment Bank	9.125	1998	125	97	99 –96⅞	9.41	9.46	AAA
Republic of Finland	8.75	1983†	100	96⅞	99¾–95½	9.03	9.62	AAA
Republic of Finland	9.00	1988	100	96¼	99⅝–95⅝	9.35	9.59	AAA
Republic of Finland	8.75	1992	50	96¼	97½–95	9.09	9.23	AAA
Japan Development Bank	8.25	1981†	100	96¾	101¼–96¼	8.53	9.70	AAA
United Mexican States	9.00	1982†	60	96¼	100½–96	9.35	10.33	NR
Government of New Zealand	7.50	1984	100	91½	97⅛–91½	8.20	9.39	AAA
Nippon Telegraph & Telephone	7.625	1982†	100	95	98⅞–93	8.03	9.44	AAA
Nippon Telegraph & Telephone	8.125	1987	50	94	99 –93	8.64	9.16	AAA
Kingdom of Norway	8.75	1983†	150	97⅜	100⅜–97⅜	8.99	9.47	AAA
City of Oslo	8.75	1997	50	96	98¾–95¼	9.11	9.20	AAA
Société Natle des Chemins de Fer	8.75	1983	100	97½	102½–95¾	8.97	9.46	AAA
Société Natle des Chemins de Fer	9.00	1992	50	97½	100¼–97	9.23	9.32	AAA
City of Stockholm	8.875	1992	50	95¾	100 –95½	9.27	9.45	AAA
Kingdom of Sweden	8.50	1987	100	94⅞	98½–94	8.96	9.35	AAA
Kingdom of Sweden	9.25	1998	125	99¼	101½–96	9.32	9.33	AAA
United Kingdom	8.50	1985	200	96	100 –96	8.85	9.33	AAA
United Kingdom	8.875	1993	150	97⅜	99⅞–95	9.11	9.21	AAA
Republic of Venezuela	7.875	1982†	100	94⅛	98½–94⅛	8.37	9.90	AAA
Republic of Venezuela	8.125	1984	100	92	97⅝–92	8.83	9.93	AAA
Republic of Venezuela	8.750	1992	50	93¼	97¼–93⅛	9.38	9.64	AAA

† Non-callable. NR Not rated.

Faces
ehind The Figures

A helping hand

he plans for Atlanta's new airport
al were being drawn up, Mayor
rd Jackson saw an opportunity to
nority businesses into the coun-
econd busiest (behind Chicago's
) airport: Hire an experienced
sion manager and insist it give at
25% participation to minority
ssmen.

vas a good idea," says Robert P.
president of Dobbs Houses Inc.,
uibb Corp. subsidiary which out-
arriott Corp., Host International
d several other firms for the con-
"The large company can put its
ound the small new business and
a hand to get started."

management company formed by
and its Atlanta-based minority
is called Dobbs Paschal Midfield
nd DPM's contract is unique. In
irports, each retail operator has its

Bryant of Dobbs Houses
his arm around small business.

Marathon Manufacturing's Gene M. Woodfin
Trying to turn a profit on the cold, dark coast of Scotland.

own contract with the airport; in Atlanta, all the shops will have a contract with the prime concessionaire which, in effect, guarantees that the airport will get its rent.

"The shops will pay rents to us," says Bryant. "And we, in turn, have guaranteed to the city the rental for 15 years (1981-96). It's the largest contract of its kind in history, about $240 million."

The total volume over those 15 years, says Bryant, should be about $1 billion. Some 70% of the shops will be run by Dobbs itself, which is already the country's largest airport operator, with retail and airline food catering facilities in 45 domestic airports. At least a quarter of the retail businesses, and probably closer to 30%, will be minority owned. The businesses will range from barbershops to cocktail lounges.

"We will see to it that all the individual operations are successful," says Bryant. "We'll see that they have financial advice, support for their borrowings, training and development, recruiting and general management support.

"Most of the money will be made at the concession level, not by the management group. It's a very sincere effort. To make this a sham would be not only immoral, but I'm sure highly illegal with the way the contract was written."

Shipyard, anyone?

In its glory days, Scotland's Upper Clyde Shipbuilders gave birth to great ships like the Queen Mary and both Queen Elizabeths, but right now the Clydebank shipyard is giving little but headaches to Houston's Marathon Manufacturing Co.'s Gene M. Woodfin. A lawyer and former investment banker, Woodfin was called in back in 1973 when Clydebank and problems in the Brownsville, Tex. yard sank Marathon $18 million into the red. Woodfin straightened out Brownsville's problems but Clydebank still plagues him, six years after Marathon took it over. He inherited the barely profitable yard from his predecessor, Wayne Harbin, who thought he could turn big profits building drilling rigs at Clydebank, given the substantial subsidies the British government was prepared to provide.

The nadir came shortly after Woodfin took over in 1973, when he found Marathon teetering on the brink of bankruptcy and two years late on delivery of four oil rigs to the Hunt family of Texas. Woodfin pulled off a gutsy maneuver: He called the Hunts and pointed out they had little alternative—if they wanted their rigs—to buying $14 million worth of Marathon stock and debentures. The Hunts agreed, and that kept the company afloat until the oil embargo came along later in the year.

"I have to be very careful about what I say," says Woodfin, 59, "because the English read everything I say about Clydebank. We have a very low production rate there." Then he adds tactfully, "The men are excellent craftsmen, but it takes about 40% more man-hours to build a rig there than, say, in our yard in Vicksburg, Miss." Woodfin also admits that his type of rig, which must float in the water while its legs are being jacked down to the sea floor, are not so effective in the rough North Sea as semisubmersibles. So many of the rigs built at Clydebank must be shipped long distances to be delivered. That additional shipping cost, on top of the higher production costs, makes Clyde-built rigs less attractive to oilmen.

But the good thing about this Upper Clyde problem is that, if worse comes to worst, Woodfin could always walk away from it. How's business otherwise?

A Touch of Hyatt the world came to see

and some special touches that keep bringing you back

Only fresh vegetables on ou restaurant menus.
A Passport Book for no-waiting-in-line-checkout.

HYATT HOTELS®

800-228-9000 Gets you Hyatt. Worldwide. Toll Free.

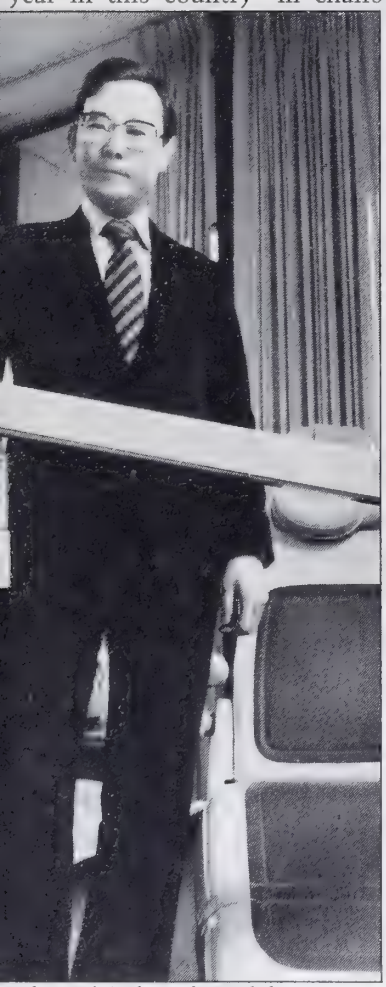
or call your travel agent. Ask for Hyatt Hotels Worldwide Directory.

Faces
Behind The Figures

Sales for the world's largest maker
-up oil rigs were up nearly 40% in
st nine months of last year to $295
n, while earnings were up 46% to a
$16.3 million. The backlog level,
1 million, was also a record. Now,
an only get those Scottish workers
ir duffs.

Sitting pretty

ould have thought that something
erminedly American as the corner
shop would somehow have with-
the onslaught of foreign competi-
ou would have been wrong.
figure that it was mainly our de-
nd technology that appealed to
can clients," says 48-year-old Ta-
i Yoshikawa, president of Japa-
wned Takara Belmont, which sup-
irtually all of the barber chairs in
untry.
ra Belmont does about $20 mil-
year in this country—in chairs



Belmont's Takatoshi Yoshikawa
his success sitting down.

ranging from a $300-a-copy beauty parlor chair to a $600 Pierre Cardin-designed unit. All have the electric tilt and height adjustments, and are made in the U.S.

Until 1956, the barber chair business was dominated by Koken of St. Louis, and Chicago's Emile J. Paider, which used to make traditional heavy chairs. Then Takara Belmont, which already owned the Japanese market, landed in New York and set out to capture a big chunk of that market. By 1969, Belmont had enough of a chunk to be able to afford to buy Koken, and to force Paider out of business a few years later.

Takatoshi's father, Hidenobu Yoshikawa, founder of the Takara Belmont group, used to say: "Let all the barber chairs around the world be Belmont." His son is broadening the slogan. Even with 99% of the barber chair and 70% of the beauty parlor market, Yoshikawa's eyes light up when he talks about the dental chair business, of which Belmont already has about a 20% share.

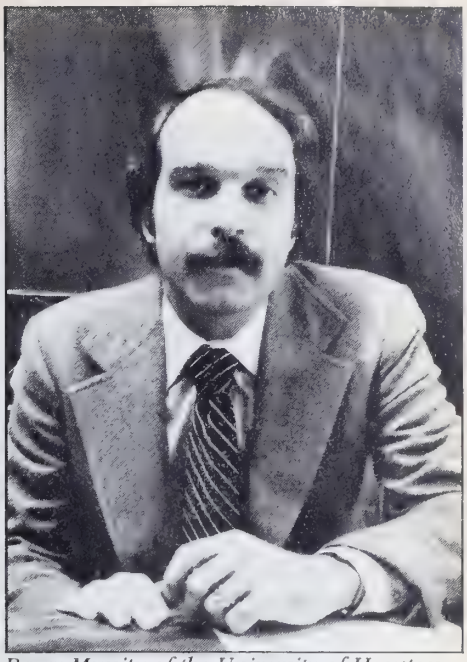
"Medical insurance that covers dental work is still a small percentage," says the staid Yoshikawa, "but when people get dental insurance, they will start flocking to the dentists." Nearly half of all Americans, says Yoshikawa, never set foot in a dental office. As more get covered by insurance, more will go to the dentist, and more chairs will be needed.

Yoshikawa is not sitting on his monopoly waiting for the dental orders to come in. For one thing he's trying to encourage more barbershops and beauty salons to revamp their interiors; in Japan, such shops change interiors every four or five years. "In Japan, barbershops and beauty parlors spend about $200 million a year for equipment," says Yoshikawa. "Here, with twice the population of Japan, the market is only about $40 million." The Americans may have invented planned obsolescence, but the Japanese seem to be improving on our technique.

Econ 101?

"Do you know what a Ginnie Mae reverse repo is?" Barry Munitz, chancellor of the University of Houston's central campus, asked his friend David Heller, an investment banker in Chicago, one day in late November 1977. Heller's reply, and the subsequent inquiry into just how the university was investing its short-term money, led to a financial scandal that saw two men sentenced to jail and left the university with $14.8 million less than it thought it had.

It turned out that the school's financial wizard, 36-year-old Samuel Harwell, had used its short-term money to build up an elaborate pyramid of Ginnie Maes (Government National Mortgage Assn. passthrough certificates). Harwell sold the Ginnie Maes to a broker and agreed



Barry Munitz of the University of Houston
All that glitters wasn't there.

to repurchase the certificate at a future date for a set price. That cash would then go to buy another Ginnie Mae. And so it went till the time of Munitz' phone call, when the school was committed to buy $450 million worth of Ginnie Maes. The investments were of questionable legality (the Texas constitution forbids any state agency from incurring debt), and the record-keeping was so shoddy that it's taken a year to untangle. Worse yet, Harwell and his half-brother, Patrick Sullivan, used university assets to secure a loan of their own. They are facing jail.

"There were a lot of people who were enamored of, if not mesmerized by, the money they thought we were earning. When they would write me and say, 'Harwell just earned us another million dollars,' I would say, 'Super, I've got another piece of computer equipment I want to buy.' That's when it all started to unravel—when I wanted to spend it."

The university discovered it has $14.8 million less than it thought it did, but its cash now lies safe in certificates of deposit and Treasury notes.

With Harwell's funny millions evaporated, the school may have to cut back on some future spending, but it has been able to pay current expenses.

Munitz, 37, with a Ph.D. in comparative literature from Princeton, admits, "I've learned more about Ginnie Maes, bonds and options than I ever hoped to know." The young chancellor had come to Houston in 1976 from the University of Illinois system, where he had been academic vice president. "I came to Houston because there would be the potential for building a 21st century public university. What we did here would be visible to the rest of the country," says the Brooklyn-born academician. "Little did I know how visible it would be." ■

The night we went to the moon.

One in a series of paintings by Joseph Cestari depicting Taft Broadcasting Activities.

Television coverage of the first moon landing brought families together all across America. And our television stations helped make this event possible.

At Taft Broadcasting Company, television is just one of ways we combine community service with earnings growth. We're in the business of providing information and entertainment to the American family.

And it's a great business to be in. With radio and TV stations, Hanna-Barbera Productions and themed amusement parks, we're in some of the best growth industries around.

For the down-to-earth details on our history making performances, send note on your letterhead to:
Mr. John T. Lawrence, Jr., Taft Broadcasting Company, 1906 Highland Avenue Cincinnati, Ohio 45219.

TAFT
Broadcasting Company

Informing and entertaining the American family

Did Santa bring us a recession?

By Ben Weberman

The new year dawned on an economy far stronger than most of us hoped it would be. At this stage of the business cycle, a strong economy can only mean stepped-up inflation together with high interest rates—one of the few things we know how to do for an overheated economy. But not even a prime interest rate pushing 12% seems able to slow things down. How long can the boom continue? Consumer spending has been the mainstay of the expansion, but a considerable part of it came from borrowing. By historic standards this should have ended about six months ago. It has not.

Remember when it was considered kind of disgraceful to be in debt? No more. Being free from debt today is as out-of-date as wearing cuffs on your trousers or feeling disgraced if your wife works. The Federal Reserve Board compiles Flow of Funds Accounts data that come out tardily but are all-encompassing. By the end of the third quarter of 1978, consumer and mortgage credit had risen to $995 billion from $856 billion a year earlier. Think of it: an additional $139 billion of debt in one year!

The relationship to disposable income worsened, too. Debt outstanding came to 68% of personal disposable income during the third quarter 1978, up from 65% a year earlier.

How long can we afford this? Five-year auto installment contracts. Gimmick mortgages with low payments in the early years and heavy repayments later on. The consequence of all this easing of credit terms is that repayments were still at 20.5% of disposable income, the same as a year ago and not much more than in 1969, when debt was $397 billion. We have made it too easy to borrow.

One thing is clear: You can postpone a day of reckoning with debt but you cannot avoid it. A good case can be made that we are close to that reckoning right now. We may, in fact, already be there. The chart below shows that banks outside the big money centers were financing not only the bulk of business expansion during much of 1978, but a lot of the consumer spending boom as well.

The money-center banks, linked to the corporate world rather than the consumer, did not share in this lending bonanza. New York banks had $41 billion of loans at the start of the year and $41 billion on Sept. 6. They went nowhere for eight months. But once talk started about controls the business world decided to get its money before the spigot was shut down. New York banks' loans shot up from $41 billion to a year-end $45 billion.

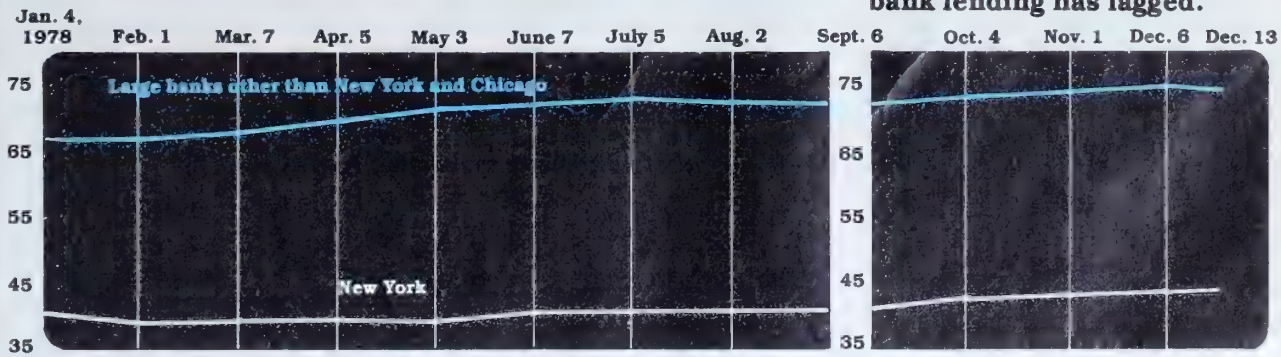
This to us is significant: Just when the New York banks were experiencing a pickup in loan demand, the regional banks were experiencing a flattening. After hitting $73 billion in June, the business loan trend outside New York and Chicago suddenly became sluggish. The loans increased hardly at all at Christmas when there is normally an explosive growth in consumer borrowing.

What are we to make of all of this? An excellent case can be made that the consumer spending boom crested in June and that the overall demand for credit continued to grow after that only because of scare borrowing by businesses. By this reasoning, the boom has already peaked and we are about to slide into a recession. If so it will be the most eagerly awaited and popular recession in history.■

Contradictions in finance

Business loans of regional banks grew rapidly through the first eight months while New York languished....

Since September, New York banks took off...and regional bank lending has lagged.



What's going on here? For some guesses, see story above.

Source: Federal Reserve Board, Weekly Reporting Banks

Let me begin by making the most favorable case—an economic downturn.

BAD IS GOOD— AND VICE VERSA

By Ben Weberman

I DON'T know how Jimmy the Greek, the oddsmaker, would call the prospects for 1979 economics and interest rates. The forecasters are evenly divided—and almost all are without deep conviction. As my readers know, I am not normally a fence sitter. I usually put my neck out, sometimes with fortunate results, as in 1975-77; sometimes with terrible results, as last year. But this time I am genuinely perplexed.

Let me begin by making the most favorable case. Favorable in this instance means an economic downturn. (In the topsy-turvy world of post-Keynesian economics, good is often bad and bad good.) A downturn would take some of the steam out of inflation and allow interest rates to fall to a more sensible level.

Among the "favorable" developments that could take place in the coming months:

- Credit demands normally run off during the early months of the year. If this happens, banks and finance companies would have plenty of money to lend and, therefore, would price credit more aggressively (meaning lower interest charges).
- Consumer demand may turn down after the heavy Christmas business and the huge buildup of installment credit.
- Management and labor may decide to cooperate—even a little bit—with the Administration's anti-inflation program. If so, such evidence would strengthen the resolve of President Carter to hold down fiscal expenditures and to put up a stiff fight against congressional free-spenders, whether they are white urban liberals or farm belt so-called conservatives.
- The dollar may be steady in the early months of 1979 despite dire predictions of another "bear" raid by multinationals and banks that still have large short positions against the dollar.
- The combination of these events would alter the psychology of money managers who are holding billions of dollars of long-term funds in short-term, liquid form. They would rush to pin down currently juicy yields.

Now for the pessimistic case:

Business ended 1978 stronger than even the optimists predicted (remember: Good is bad; bad is good).

This could mean that the steps taken to date by the Federal Reserve to restrain credit and slow business activity are not yet biting. Therefore, all of the preceding assumptions could be reversed. Business and consumer needs for credit would be increasing early in the year. The consumer would remain confident of jobs and income and be willing to spend what he doesn't have.

Under these conditions, it would hardly be likely that either business or labor would find it easy to adhere to the wage-price guidelines, and inflation would continue at an unacceptable rate. The dollar would come under further selling pressure.

So, what does the poor investor do? Fortunately, under present circumstances he can both have his cake and eat it. That is, he can stay very short—thus hedging against a further rise in interest rates—without sacrificing high yields. Today large negotiable bank deposits yield 10.25% for a 30-day maturity and 11.55% for six months. Even an individual can get more than 10% on a six-month saving certificate of $10,000 or more. If you buy the assumption that the economy will remain much too strong until mid-year and then fall into a recession, the wisest investment course would be to commit your money for just under six months and then reinvest at maturity in a long-term issue.

My preference would be to invest for less than six months, because if the economy really is going to turn down at midyear, the money markets are likely to sense this well in advance and celebrate (remember, bad is good) by going up sooner. That means that interest rates on long-term, fixed-income issues would peak out before June, perhaps in April or May. It would be better to prepare for such a possibility by placing funds in three-month money instruments, which pay about 10.75%. Sacrifice a little yield as insurance and take a fresh look in April.

If you want to go a bit farther out to lock in some of today's juicy yields, there are tremendous values in the four-year range of U.S. Treasury issues. Several issues maturing between May 15, 1982 and Nov. 15, 1982 are trading, as this is written, at prices set to yield about 9.4%. I like the four-year Treasury note because it provides a very generous return at the outset. Furthermore, it gives protection against change in yield in either direction. If the Fed must tighten the screws much more, and even if short-term rates are up in the 13% stratosphere, the penalty for a holder of a four-year issue would not be great. A four-year note (down to a 3½-year maturity by mid-1979) selling to yield, say, 10.5% would lose 3¼ points of price if it were necessary to sell the issue at that time. Otherwise, it brings a high yield throughout its life.

On the other hand, if the yield drops to 8% as the yield curve assumes a more normal shape, the price would rise almost five points. That is almost the same price gain as a 30-year bond, which would move from 8.9% to 8.4%.

Take your four-year note, and you have $105 to invest for every $100 you put in originally, and you can still get the same number of dollars back each year on a long bond even though the yield would be lower and the price higher.

I am sure that some of my readers won't let me off the hook by simply saying the situation could go either way. Okay, in my highly personal view, the economy is likely to turn down before 1979 is very old, taking interest rates down with it.

I am an optimist by nature (bad is good), and common sense still says that the wise investor will be in a position where he won't be too badly hurt no matter what happens. ■

Ben Weberman is economics editor of FORBES *magazine.*

For 26 straight years we've mailed this same old message:

CASH DIVIDENDS HIGHER THIS YEAR THAN LAST!

his message reflects our past per-rmance.

But – what do we see ahead, to-ay? A busier, better America.

We see, too, the diversified indus-es and communities we serve in ur seven-state area–so often called America's industrial heartland" – laying a major role in our nation's future and growth.

And we're planning for it... as we always have.

Right now we're investing at the rate of $1 billion a year to be ready for the 1980's.

This includes power generation, power delivery, and environmental facilities–as well as the development of advanced technologies in all phases of our business.

All for that busier, better America we see ahead.

All extensions of policies which have resulted in our enviable dividend record

A record that has made our shareholders happy. And us proud.

American Electric Power

we see a busier, better America

Serving in Ohio, Indiana, Michigan, Virginia, West Virginia, Kentucky, Tennessee.

WHICH
NO LOADS
(no broker fee)
ARE EXPECTED TO PERFORM BEST IN THE YEAR AHEAD?

GROWTH FUND GUIDE is an advisory service that tells you what it thinks and why. No doubletalk

CURRENT ISSUE contains 24 pages of forecasts, ratings, charts, risk ratios & strength studies on what are believed to be the nation's top NO-LOAD (no broker fee) funds. Aggressive, Growth, Quality, Cash Haven and Special Situation Funds (gold, mergers, instant switch funds) are all covered. See which NO-LOADS are now leading the way up in each classification.

SPECIAL $1 OFFER
will bring you immediately by return mail

Our current issue **Reg. $3.75**
+ Bonus report No Load vs. Load **Reg. $2.50**

Simply mail this ad and $1 to
GROWTH FUND RESEARCH, INC.
Dept. F-C6 P. O. Box 2109
Yreka, Calif. 96097
Subscription cannot be assigned without your consent

GROWTH FUND GUIDE
THE INVESTORS GUIDE TO DYNAMIC GROWTH FUNDS

LARGE POTENTIAL CASH RETURN
from
OIL and GAS LEASES ON PUBLIC LANDS

* * * * *

The United States Department of the Interior (Bureau of Land Management) holds non-competitive public drawings each month to afford all citizens over the age of 21 years an equal opportunity to own oil and gas lease rights on lands owned by the Federal Government.

A $20.00 tax deductible filing fee could return a sum exceeding $75,000.00 immediately, plus an overriding royalty for possible future income.

* * * * *

For further information on how you can intelligently participate in the government sponsored program, contact:

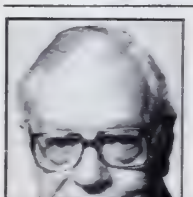
MAX WILSON, INC.
P.O. Drawer 1978—FO
Roswell, New Mexico 88201
Toll Free Number 800-545-7955

Stock Comment

There is just no one else in IBM's league its size, market position and financ strength are without parallel.

THERE'S NO SUBSTITUTE FOR QUALITY

By Heinz H. Biel



A GOOD-SIZED dividend increase had been taken for granted, but IBM's stock split, and 4-for-1 at that, came as a complete surprise. The Street responded with proper enthusiasm. I don't know what induced the IBM board to seek a lowering of the stock's price from its exalted level in the hundreds to a more mundane range with the plebeian stocks. As a result, however, it has become easier for investors to compare IBM with other companies—I'm reluctant to say competitors—in its field:

	IBM*	Burroughs	NCR
Present price	$75	$73	$61
Est. 1978 EPS	$5.20	$6.20	$6.70
1978 P/E ratio	14.3	11.8	9.1
Est. 1979 EPS	$6.00	$7.25	$8.00
1979 P/E ratio	12.4	10.1	7.6
Dividend rate	$3.44	$1.60	$1.00
Dividend yield	4.6%	2.2%	1.6%

*Adjusted to reflect proposed 4-for-1 split.

IBM is a company that virtually defies imagination. At its recent high, IBM's equity has a market value of about $45 billion, which is more than the yearly GNP of any but a few major countries of the world. Its new dividend rate adds up to about $2 billion a year. There is just no one else in that league—its size, market position and financial strength are without parallel. The stock's investor appeal is obvious, and with some 583 million shares to be outstanding, the supply should be adequate to meet the demand. Of the other two stocks in the table above my preference is NCR Corp.

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

Before long we will be flooded annual reports for the past year. I week there will be stacks of them they have become so voluminous it is a physical impossibility to much more than a casual glan most of them. That is a pity and a for all concerned, because cor tions not only do try to put the foot forward, which is unders able, but also give an intelligent view of prospects as well as probl

Corporations whose fiscal year not coincide with the calendar have the advantage that their re have a much better chance of read than merely scanned. Rec the report of the *Emerson Electric* whose year ends Sept. 30, came a my desk. As my interest in this pany goes back a great many y having first commented on it in column as long ago as Jan. 1, 19 took it home to read.

Thanks to steady internal gr and some acquisitions, this tig managed maker of a broadly divers listofelectrical/electronicproduct systems is now doing a sales volu well over $2 billion, more than t times what it was ten years ago.

What is even more remarkab that there has been no qualitativ terioration. In this past decade, profit margin and the return on ital have been remarkably ste with the return on stockholders' e ty last year at a new high wit impressive 20.5%. Despite con ing heavy capital expenditures, E son's balance sheet is as strong as with long-term debt amounting mere 8½% of total capitalization.

In a period when the consu price index doubled, Emerson's share earnings increased 2.8 t (from $1.04 in fiscal 1969 to $2.93 year); the dividend rate increased

(from 48¾ cents to $1.20, and
1.44); and the equity per share
up 2.6 times (from $5.92 to
). How is that for beating infla-
In the market, the investor has
red badly. The average price of
ock for 1968-69 was about 25.
it is 35½.

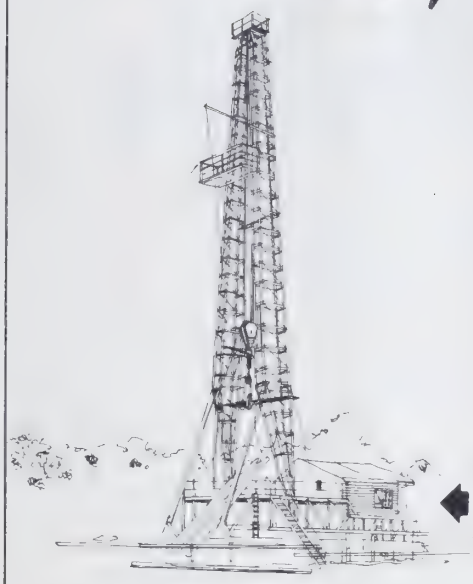
company's growth targets are
actly timid. If I read the chart
tly, the aim is sales of $3 billion
o years and $4 billion in five.
ock of a company with a perfor-
record like Emerson's and
le projections for more of the
in the years ahead, plus Emer-
exemplary recession resis-
—*i.e.*, no earnings decline in any
last five recessions—is fully en-
to sell at a premium. EMR's P/E
while way down from the lofty
1972 and 1973, is about 50%
than that of the Dow Jones
rials. The dividend yield of
4% looks skimpy by compari-
th the 6% on the DJI, but that
price you pay for quality and a
or long-term record.

ther fine company with an off-
ar fiscal year is *Dana Corp.*,
year ends on Aug. 31. Like
on Electric it is also domiciled
-America. Dana, which makes
s components for trucks and
ger cars, as well as diverse in-
l products, is similar in size to
on. Its growth has been equally
xable. Because of the different
of its business, Dana's profit
is not as lush as Emerson's,
has the same consistency.

a's business is probably more
l and its capitalization has a
leverage. On the other hand,
ck is selling at a far lower earn-
ultiple of only about 6.6. It also
ten inflation handsomely with
re earnings up 3.5 times (from
n fiscal 1969 to $4.22 last year);
nds up 2.3 times (from 56 cents
26 and now $1.40); and per-
equity up 2.6 times (from $8.96
.07). Even in the marketplace
gave solid inflation protection
hareholders. Its present price of
npares with a 1968-69 average
than 9 (adjusted for splits).

mon stocks have been so much
ed in the recent past that it has
e almost fashionable to ques-
eir merits as investments. That
y. Fortunately, companies like
on Electric and Dana are not
. There are many, probably well
hundreds, whose shares merit to
ed investment-grade. ■

MAPCO IS OIL, BUT...



Oil is only a part of the MAPCO picture. This integrated energy company also produces and markets coal, gas and gas liquids, operates LPG and anhydrous ammonia pipelines, retails LPG and liquid fertilizer, produces sonic instrumentation devices, filtration equipment and other water pollution control products. For a closer look at MAPCO's diversification and profitable growth, write for our current report.

mapco INC.

Dept. P, 1800 S. Baltimore Ave.
Tulsa, Oklahoma 74119
SYMBOL MDA • NYSE
MWSE • PSE

Wise old saying—

"REACH FOR HIGH INTEREST RATES BUT KEEP YOUR MONEY WITHIN REACH."

CD's are fine for some purposes, but not for liquidity. Six months can be a long time in a fast-changing world—not to mention six years.

Let us help you obtain the best of both worlds—

HIGH INCOME AND LIQUIDITY.

Toll-Free Telephone Redemption • Free Check Writing

ROWE PRICE

PRIME RESERVE FUND

A No-Load Money Market Fund

Call toll-free 1-800-638-1527. If busy, or in Maryland, call 301-547-2136 or write Prime Reserve Fund, 100 East Pratt Street, Baltimore, Maryland 21202.

A-6

Name Address

City State Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

A good investment should also be a good speculation—although not vice versa.

DEBEERS: ALL THAT GLITTERS

By John Train

IF YOU ARE prepared to accept the risks of owning a South African mining stock, I think there's a good case for preferring DeBeers to any of the gold mines.

The conservative way to think of DeBeers is probably as an income stock. At present prices, the American Depositary Receipt yields about 15% before withholding taxes. (The 15% withholding tax is, however, a credit against U.S. taxes.)

DeBeers has not cut its dividend in 40 years, and historically the dividend has risen about 15% per annum. Should that continue, you'd recover your investment in about five years and then have a stock yielding about 30% on original cost.

If conceptually you write the stock off to 1 cent the day you buy it—which is a good way to approach any investment—you can ask yourself, is this a deal I'm willing to settle for?

It's exceedingly likely that DeBeers will be able to maintain reasonable dividend growth. It sells in the market for slightly over 2.2 times cyclically strong earnings (its alltime low multiple) or little more than the value of its cash and gem inventory.

More specifically, DeBeers makes almost $1 billion aftertax, sells in the market for about $2 billion and has some $1 billion in cash and a gem inventory worth at least $500 million. Its mining investments are written off as incurred. It has virtually no debt, naturally.

The company mines roughly half of the world's *gem* diamonds, and through its Central Selling Organization sells perhaps 90% of the gem diamonds marketed in the Free World, including Russia's sales.

About 90% of DeBeers' profits come from gemstones, the rest from industrial diamonds.

About 60% of all gem diamonds are sold for engagement rings, about 20% for wedding rings and the rest for diamond jewelry. DeBeers likes to limit both production and wholesale selling to the amount actually consumed by the jewelry trade. This helps prevent the type of disorderly seesaws that created disruption in the wine business in 1975-76. To that end it has tried to discourage the present epidemic of mail-order sales to Americans by boiler-room hustlers and others, but is becoming reconciled to some hoarding of diamonds for investment, rather than for use, as a fact of life in the American market.

Since the U.S. represents half the world market for diamond jewelry, that may be a permanent structural change of some significance. Furthermore, the use of diamonds for engagement rings in Japan (which buys about 20% of the world's gemstones) is rising steeply: from 5% of all engagements in 1966 to over 40% today. About two-thirds of U.S. and one-fourth of German brides receive diamond engagement rings. The U.S., Japan and Germany together buy about 80% of all gem diamonds.

DeBeers' stock sells so cheaply because of political concern, together with moral scruples and the fact that it's overowned in South Africa and barely understood here.

I would not minimize the political side. However, one should look behind the generalities. In the first place, in labor matters, DeBeers is considered to be South Africa's most liberal and progressive large company. It can afford to be. (Incidentally, its chairman, Harry Oppenheimer, is perhaps the most eminent spokesman for a loosening of the odious features of the present regime.) Its labor force is very small for such a large mining company—about 16,000. If circumstances cause a steep rise in South African labor costs, DeBeers, with its huge profit margins, will have a better time than will most gold mines.

Then, only half of DeBeers' profits come from the Republic of South Africa itself.

The company's largest mine is Orapa in Botswana, owned 50-50 with the government. The Botswana government levies a 50% income tax on the operation, giving it about 75% of the total profit *vs.* DeBeers' 25%. It seems unlikely that the local government will want to squeeze much harder, since if DeBeers pulled out, Botswana would have trouble either operating the mines or selling the output.

About 22% of DeBeers' profits comes from its open-pit mines in South-West Africa/Namibia. The mine area is 100 kilometers long and 2 to 3 kilometers wide. This property is the largest user of earth-moving equipment in the western world, after the U.S. Army. Since it requires vast amounts of cash and technical savvy, here again, even if SWAPO got in, it seems hard to foresee anything worse than a rise in local government profit participation in one form or another—essentially a cost increase, which DeBeers could pass on to the consumer. And even if it couldn't, a pessimistic estimate of the effect on profits might be a decline of 10% to 15%—far from catastrophic.

Throughout Africa, revolutionary governments such as the ones in Angola and Tanzania have tended to come to terms quite promptly with DeBeers, so that production and profitability have been little affected.

The most convenient way to buy DeBeers is through ADRs, which have a broad market over the counter.

Arnhold & S. Bleichroeder, which makes a market in the ADRs, thinks that a reverse split of about 4-to-1 in the ADRs, bringing the price from about $5 to about $20, should improve their standing. I concur.

Besides politics, there are several other possible problems for DeBeers. First, the Russians could sell outside of the CSO. But they would make less money that way, and they need the foreign exchange. The cartel exists for the advantage of the producers.

Second, large, perfect, cheap synthetic gemstones may eventually come into existence. (In a way they already exist: zircons, and so on.) This would be more of a concern if almost all new diamonds didn't go into engagement and wedding rings. On that occasion one wants the real thing. ■

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

Wanted: 77,000,000 movers and shakers.

Nothing pinpoints the movers and shakers like a few pertinent questions.

Did they go to college? Are they professionals or managers? Are their household incomes $20,000 plus? Are their homes $40,000 plus? Are their corporate securities $20,000 plus? Have they played active roles in local civic issues? Have they written any elected officials or editors lately? Have they written any books or articles? Have they addressed any public meetings or worked for any political parties?

Only 77,136,000 adults can answer yes to one or more of those questions. And only a well-balanced media plan is going to reach them with any degree of impact and efficiency.

The fact is, 21,785,000 of those primary corporate targets are big on television and not so big on magazines. But a much greater number—32,740,000 primary corporate targets—are Magazine Imperatives. And that means they're big on magazines and not so big on television.

No wonder a nothing-but-television media plan misses out on the movers and shakers. And no wonder it misses out with the very people who can't be satisfied by a 30-minute news show, much less a 30-second commercial.

Make this your year to re-evaluate the balance of power between television and magazines in your media planning. And ask the MPA for an IMS computer run based on the Media Imperatives® and your prospects, your data, your dollars.

Magazine Publishers Association Inc.
575 Lexington Avenue, New York, N.Y. 10022. (212) 752-0055.

® W. R. Simmons Co.

Magazines. The balance of power.

MPA

The singular most important advantage of an option is that you never have at risk more than the premium.

TRADING WITHOUT TEARS?

By Stanley W. Angrist

THIS COLUMN is about commodity options. In it I will try to point out their advantages and disadvantages and how they can be used by speculators to make a buck. *However, under no circumstances should you consider purchasing a commodity option from someone who calls you on the phone from a firm of which you have never heard.* What those guys are selling, you don't need.

But a legitimate commodity options market now exists in the U.S., and for certain speculators (and hedgers, too) it can be extremely useful. Through licensed commodity futures merchants, two dealers offer options on gold, silver, platinum and copper. The largest of these dealers is Mocatta Metals Corp. of New York. Mocatta options are available through Bache Halsey Stuart and other brokers.

An option is the right—but not the obligation—to buy or sell something, in this case a specified amount of a fungible commodity. The Mocatta option is different in a number of important ways from the London commodity options that have been offered here by scrupulous, and not so scrupulous, dealers for the past ten years. The current dealer options have fixed strike prices and fixed maturity dates just like the stock options sold on the Chicago Board Options Exchange.

Commissions may vary but Bache, for example, charges 5% of the premium or $100, whichever is larger, to buy an option, and 5% of the premium or $50, whichever is larger, to sell an option. Obviously, option commissions will be substantially larger than those paid on comparable futures contracts. (It is also reasonable to assume that option commissions, like almost everything else in the financial markets, are negotiable.)

Given the fact of a larger commission, why would anybody want to own a commodity option rather than be long or short a futures contract? Suppose you purchase a March 1979 gold call option on 200 ounces of gold at a strike price of $210 per ounce for a premium of $3,135. This option gives you the right to buy 200 ounces of gold at $210 per ounce regardless of the market price of gold for the next 2½ months or so. You paid a premium $15.77 per ounce for this right. The premium amounts to about 7.3% of the current price of gold. If by March gold advances about $16 from its current price of $216 to $232 you will be just about even. If the price of gold were to advance sharply in the next couple of weeks or so when there is plenty of time value left in the option, the premium could rise to such an extent that you might have a profit even if the price had not reached $232. But suppose that the price just slowly crept up to $250; at expiration the option would have a profit of $40 per ounce over the strike price and would be worth $8,000 ($40 per ounce x 200 ounces). Commissions in and out would amount to about $550. Of course, if gold's price winds up below $210 in March, your option will expire worthless and you will have lost the entire premium plus commission.

But the singular most important advantage of the gold option is that you never have at risk more than the premium of $3,135 no matter what the market does. That is, gold could fall completely out of bed the next day and go limit down five days in a row and your risk remains the same. Furthermore, Mocatta will accept stop loss orders on the premium, so that if you wanted to you could, for example, limit your risk to $1,000 of the premium. So you have double protection—the stop-loss and the premium you paid can both limit your risk. (Of course, if the market starts to limit down, the grantor of the option might not be able to get out of his long position in the futures market. In that case the price you get for your option might not be the stop-loss price.) A commodity option can reduce the major problem of commodity trading—timing. The market can go the wrong way for a few days which would, if you were holding a futures contract, put you on margin call or force you to liquidate. But as an owner of a call, you would suffer no adverse effect other than some reduction in premium.

Mocatta sets the price of its options by means of a computerized model that is most heavily influenced by a commodity's volatility and the time left before the option expires. A volatile commodity commands a high premium because the opportunity for profit is greatest there. But since options are wasting assets, as the expiration date approaches, an option with a strike price above the market will see its premium approach zero.

Though the example presented above is for a call option, it is well to keep in mind that Mocatta, through the same brokers, also offers puts that gain in value as market prices decline. Indeed, at the present time Mocatta offers calls and puts at ten strike prices for four expiration dates. The most distant date is always approximately one year out from the present.

Should commodity options play a role in your speculative activities? That depends upon your taste for risk. I believe that they are an appropriate vehicle in certain circumstances where traders might be unduly disturbed by adverse limit moves in commodities of high volatility. ■

Some recent quotes for commodity options*

With an option you pay for two things—a commodity's volatility and the time remaining to expiration.

	March 1979	Sept. 1979
Gold (200 ounces)		
Futures price at time of option quote	$ 216.40	$ 228.50
Call @ $220	2,195.00	6,000.00
Call @ $210	3,135.00	7,095.00
Put @ $210	1,915.00	3,805.00
Silver (10,000 ounces)		
Futures price at time of option quote	606.20	630.60
Call @ $6.25	1,875.00	5,050.00
Call @ $6.00	2,855.00	6,365.00
Put @ $6.00	2,265.00	3,715.00

*Prices as of late December

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

How much will your money be worth next year? Substantially more, we believe, if you follow this advice.

Send for United's 1979 Investors Planning Kit today.

Worried about the possibility of a recession? Wondering what rate of inflation you'll see? Concerned with fluctuations in the stock market? Stop worrying. We believe you will find clear cut answers on what to do in these advisory reports on Business, Investments, and Taxes.

Special Report #1

Stocks we believe you can make money on in a recession

Even if there should be a mild recession next year, as some think likely, certain companies and industries will continue to profit. In fact, there are even some industries which have traditionally benefited from recessions. We've searched out the characteristically recession-proof industries, and we've found these specific stocks, which we believe have the qualities that should allow them to do well this year, come what may.

Special Report #2

United's 10 Top Picks for profit in 1979

Here are United's researched choices we believe will do well in 1979 no matter what the stock market or the economy does. Why? Three reasons: 1) because they are either special situations with takeover possibilities, or 2) they are depressed "bargains," or 3) they are stocks acting better than the market. There are risks, but we picked these 10 out of hundreds of issues as special buys for profit.

Special Report #3

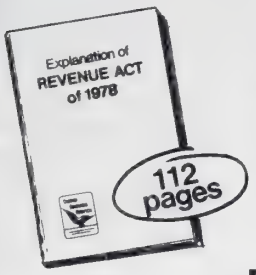
Stocks we believe will beat inflation

Do you think you could stay ahead of inflation with stocks whose dividends have increased from 135% to 450% in the past decade? After all, the cost of living has gone up 100% in that time, but these 9 companies have boosted their payments often enough to beat inflation—some by a wide margin—most at least once a year these last 10 years. And you can't discount capital gains possibilities, either.

Special Report #4

Convertibles for growth and income with relative safety

If you feel uncertain about buying common stocks, you may well find Convertibles an interesting alternative. They give you some resistance to market declines, yet they can be very profitable in an advance. Convertibles are fixed income securities, of course, but they possess the special privilege that you can exchange them for the common, when it is to your advantage to do so. In addition, each of the choices we've picked is yielding well above the common.



You receive this extra bonus at no extra charge: The Revenue Act of 1978 . . . A Concise Explanation

Reference is fast and accurate, so it's likely you could easily save yourself some real money, or avoid a costly mistake. The 112 pages are packed with ready answers to your questions, with vital sections of the law carefully analyzed in clear, concise language. An invaluable guide.

Plus you will also receive (a $19 value alone) . . .
8 regular weekly issues of United Reports on Business and Investments.
This entire package of Stock Market advice and Business information ...only $5

Mail the postage-paid card today for this big package of advice.

UNITED®
Business & Investment Service
Established in 1919
210 Newbury St., Boston, MA 02116

I have yet to find the person who can precisely identify market bottoms until they've passed.

GET 'EM WHILE THEY'RE COLD

By James H. Farrell Jr.

THE TITLE of this column appeared recently in an advertisement by a mutual fund management company. Undoubtedly, it brought forth a number of smiles. However, it also pointed out an important truth that is frequently missed by many investors. Namely, that the securities markets are expectational, and when the outlook is bleak it is reflected in low stock prices, and, conversely, when optimism prevails, stocks are close to their highs.

A friend of mine recently commented on all the ills that beset the domestic and international economies and remarked in conclusion that he had lost nearly all reason to buy common stocks. I asked him if he would let me know when he had *completely* lost all of his reasons for buying common stocks. For it is when such a feeling becomes widespread that a market bottom is already in sight.

Despite our knowledge of the nature of the stock market, it is surprising to hear professional investors frequently make the comment that they will increase their equity holdings when they feel more comfortable with the economic outlook, or they will buy an individual stock when various uncertainties have become clarified. Unfortunately, when we become more comfortable or the outlook is clarified, prices have risen and opportunity has diminished if not disappeared. It is the fate of the successful investor that often he will feel very uncomfortable in making his most profitable investment decisions, for to be a truly successful investor one must often have the courage to stand alone.

In assessing today's environment we see a high level of inflation, interest rates escalating to new peaks, deteriorating liquidity and the prospect of a recession in 1979. At the same time, however, a Dow Jones industrials price/earnings ratio of 8, dividend yield of 6% and prices below book value suggest that current values in the market reflect much of the uncertainty. Skeptics will counter that cheap stocks can get cheaper, and there is certainly the possibility of short-term price risk over the next several months. However, I have yet to find the person who can precisely identify market bottoms until they've passed and, therefore, it becomes necessary to have the courage and patience to get 'em while they're cold.

While the Dow Jones industrial average is selling at the above levels and a 12% discount to its year-end 1978 book value, many individual stocks of well-run companies are selling at even more attractive valuations. Not only are these stocks cold, their price levels are close to the freezing point. Some examples are:

Continental Illinois (26) is the seventh largest commercial bank in the nation. Over the past five years, earnings have compounded at a 13.8% annual rate. Even during 1975 and 1976, which were catastrophic for bank earnings, Continental Illinois was one of the few banks to produce consistent earnings gains. Its return on equity of 14.9% is second only to BankAmerica among the large money-center banks. Recently, Continental Illinois was selected by one business magazine as one of the five best-managed companies in the country. Recent projections by management have set a minimum goal of 10% earnings gains over the next three years, and the dividend should keep pace with earnings. Yet the stock sells at only 5 times estimated 1979 earnings of $5.15. The recently raised $1.44 dividend provides a yield of 5.5%, and the current price represents a discount of approximately 16% from an estimated book value of $31.

Colonial Penn (24) offers a range of insurance products to that segment of the population over 50 years of age. Earnings have compounded at 17% annually over the past five years and return on equity is currently well above average at 23%. The stock price has been volatile as the company is periodically subjected to unfavorable allegations regarding its relationship with the American Association of Retired Persons and the National Retired Teachers Association. Yet the company provides a valuable and efficient service to this growing segment of the populace, and should continue to grow at a 12% to 15% annual rate. The stock sells at 5 times our 1979 estimate of $4.90 per share, and the rapidly growing dividend of $1.20 provides a 5% current yield.

Delta Airlines (42) has the most efficient aircraft fleet, an excellent balance sheet, an outstanding management and the best earnings record in the airline industry. After a modest dip to $6.20 in 1979, earnings growth of 12% to 14% should return. Yet the stock is available at only 6.8 times our 1979 estimated earnings.

Scott & Fetzer (25) produces a wide variety of products, including vacuum cleaners; air compressors; electrical fittings; oil and gas burners; hitches and winches for recreational trailers and precision instruments. Earnings growth over the past five years has averaged 14%, and the 18% return on equity indicates an above-average profitability. The recent acquisition of World Book-Childcraft International should boost 1979 earnings nearly 15% to the $4.80 area. In spite of this prospect, the stock sells for 4.6 times earnings while the dividend of $1.60 provides a yield of 7.3%.

Other stocks selling at attractive prices based on 1979 earnings prospects include *Eaton Corp.* (34) at 4.9 times estimated earnings of $7; *Champion International* (21) at 6 times earnings of $3.50; *Dresser Industries* (36) at 6 times 1979 estimated earnings of $6; *Parker Hannifin* (24) at 7.2 times estimated earnings of $3.35 and *Crouse Hinds* (21) at 6.9 times estimated earnings of $3.05. ■

Provident National Bank, Philadelphia, Pa.

Breaking into world markets can be easy.

Breaking into world markets can be easier than you think. The problem has been trying to advertise effectively and efficiently in so many different and varied national media.

TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where the market is.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Look at your attitude toward aging.

Get off your rocker. Don't take old age sitting down.

Ad Council

A Public Service of This Magazine & The Advertising Council

National Council on the Aging, Inc.

NCOA

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza
New York, N.Y. 10020

Notice of Increased Dividend

THE BOARD OF DIRECTORS has this day declared Dividend No. 124, a regular quarterly dividend of Seventy-Five cents (75¢) a share on the common stock of the Company, payable February 15, 1979, to stockholders of record at the close of business January 15, 1979.

The dividend represents a new annual rate of $3.00, compared to the previous annual rate of $2.76 a share.

The new rate will mark the fourteenth consecutive year of increased dividends.

H. A. OFFUTT,
Vice President and Treasurer

December 12, 1978

Fiber optics had been a disappointment. "We grossly overestimated sales three years in a row. Our credibility was gone."

FAILURE BREEDS SUCCESS

By Thomas Murphy

GEORGE BATCHELDER'S wife sometimes reminds him: "Where would you be today if you had been a success at Bendix?"

Today George Batchelder, 48, is head of marketing and a major stockholder of a fast-growing, independent fiber-optics outfit, Galileo Electro-Optics Corp.; he is, potentially at least, a millionaire instead of being just another vulnerable, moderately well-paid corporate executive.

Here's how it happened: His associate, James Oglesby, who is now president of Galileo, was riding in an elevator in Bendix Corp.'s Southfield, Mich. headquarters one day in 1973 when the bombshell hit. A Bendix staff man mentioned, more or less matter-of-factly, that Bendix was dumping the fiber-optics business that Oglesby headed and Batchelder worked for. It was the first Batchelder or Oglesby had heard of it. Bendix' then boss, now Treasury Secretary, Michael Blumenthal, had decided that fiber optics just didn't belong in the Bendix corporate stable. Besides, fiber optics had been a consistent disappointment. "We grossly overestimated sales three years in a row," Oglesby admits. "Our credibility was gone at Bendix headquarters."

Jim Oglesby and George Batchelder had to wonder if they were going to get a new boss, at best, or join the thousands of middle-aged executives before them who found their businesses sold out from under them and themselves looking for work.

This time it did not turn out that way. Instead of job-hunting, they met with the legendary Royal Little. Little wanted to know if Oglesby, Batchelder and three other key executives in the fiber-optics division wanted to run an independent company. If they did, Little said that Narragansett Capital Corp., a venture capital firm, would back them in a leveraged buy-out.

Here was the deal: If the five men would come up with $150,000, Narragansett would match the money. Management and Narragansett would share ownership 50-50. Narragansett would also lend the new company $1.5 million and arrange a bank loan of equal size. It came to $3.3 million, which was Bendix' price for its fiber-optics business—about 70% of the book value of the assets.

That deal did not leave much for working capital, but at least Jim Oglesby and his team were in business for themselves. "People told me I would be working 80 hours a week," Oglesby, now 53, recalls, "but the truth is I didn't know what to do with my time that first year."

Oglesby, in fact, had so much time on his hands he was the best-read executive in Sturbridge, Mass., and then all of those rosy sales forecasts started coming true. Sales, which were $3.75 million in the last year at Bendix, were nearly $20 million in 1978. Oglesby figures $25 million for this year.

Could they have done it as the division of a big company? Oglesby doesn't think so: "It just takes too long to get decisions made through a corporate hierarchy."

What made the difference? Morale in part. People liked working for the independent company and productivity increased. Luck helped, too. The old sales projections had been based on the military's intentions to launch a major "night vision" program. Fiber optics, coupled with electronics, has the curious ability to amplify light. In

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn.

y application that means bin-
, sniperscopes, tank sights, etc.
n see in near-total darkness.
Galileo, with its technical edge
lid manufacturing base, got
f the business.
endence, of course, is not
t its problems. By the early
everybody had just about given
iber optics, an idea whose time
eemed to come. Corning Glass
for instance, had dropped out
industry. But it is back now
vengeance, and while Galileo is
e leader, Jim Oglesby is under
ions about competing in what
res will become the commod-
l of the business—the thou-
probably millions of miles of
tic cable that should replace
communications lines. Fiber
is destined to be an industry
normous capital requirements
v margins. Galileo, he figures,
ve to concentrate on high-qual-
ialties.
with that strategy there are
to fast growth without fresh
capital. Oglesby has been mak-
with borrowed money. Instead
g down the original bank loan
ught the business, he has ex-
it. He has also arranged a $2
loan guarantee from the Busi-
Industry Loan Division of the
s Home Administration that
eve the pressure for awhile. But
alileo sales hit around $50 mil-
e figures something else will
be done.
? "I get about one call a week
finder who says that some big
y wants to buy Galileo. I tell
t is not for sale—and it isn't.
nope for is a new-issues market
ears from now when we need
ney. I think we would all rather
lileo remain an independent
y with public investors."
hat's a gamble, of course, a
on two things: that technology
ass Galileo by; and that the
arket will revive soon enough.
ering all these risks, aren't
y and his associates even
d to sell out and cash in? Some-
but they have Royal Little to
d with. One day he came to a
directors' meeting in bubbling
irits. He explained that he had
lized a lifelong ambition—to
his golf score to his age. At 81
done it. "With a man like that
example," says Oglesby, "how
ink of sitting on a beach some-
clipping my coupons?" ■

Value Line looks at . . .

Major Stocks With P/E's *Under* 4 And Yields *Over* 7%

Plus the potential to double in price, we estimate, within 3 to 5 years.

Among 1700 major stocks under its continuing review, The Value Line Investment Survey finds . . .

- 91 stocks are selling at *less than 4 times* estimated current earnings . . . compared with past P/E ratios up to 20 times or *higher.*
- 71 of these low-P/E stocks also offer Appreciation Potentials in the next 3 to 5 years of *more than 100%* . . . based on Value Line's estimates of their earnings and P/E ratios in that future span. (26 offer long-term Appreciation Potentials of more than 200%.)
- In addition, a significant minority of these "combination" stocks currently *yield from 7% to 8.6%,* based on our estimate of dividends in the 12 months ahead. (In many of these stocks, moreover, we look for sizable dividend increases—from 50% to 100%—in the next few years.)

But we urge you *not* to leap into stocks like these, good as they may sound, without also checking Value Line's current ratings for *Probable Price Performance* and—most importantly—*Safety.* This is easy to do:

UPDATED EVERY WEEK

Every week, Value Line's regular *Summary & Index* presents up-to-date ratings of EACH of 1700 stocks *relative* to all the others, as follows . . .

a) Rank for Probable Price Performance in the Next 12 Months—ranging from 1 (Highest) down to 5 (Lowest).
b) Rank for Investment Safety (from 1 down to 5).
c) Estimated Yield in the Next 12 Months.
d) Estimated Appreciation Potential in the Next 3 to 5 Years—showing the future "target" price range and percentage change from current price.
e) P/E ratio and current price, plus estimated annual earnings and dividends in current 12 months. Also latest quarterly results against a year ago.

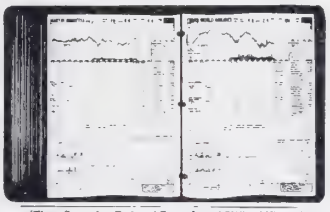
PLUS FULL-PAGE REPORTS

In addition, each of the 1700 stocks is the subject of a comprehensive new full-page *Rating & Report* at least once every three months—including 22 series of vital financial and operating statistics going back 15 years and estimated 3 to 5 years ahead. About 130 new full-page Reports like this are issued each week . . . 1700 every 13 weeks.

SPECIAL INVITATION

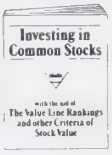
You are invited to receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 10 weeks for only $29—about HALF the regular rate—if no member of your household has had a Value Line subscription in the last two years.

You receive, as a bonus, Value Line's 2000-page *Investors Reference Service* incuding our latest full-page Ratings & Reports on each of 1700 stocks—fully indexed and looseleaf-bound for your quick and easy reference. . . and systematicaly updated by new full-page Reports in the weeks ahead. (It takes only 30 seconds to replace the old Reports with the new in your binder.) All this material is so organized that you can quickly find a continually updated report and current evaluation on almost any stock you may be interested in buying selling, or equally important, holding.



(These Pages Are Reduced From Actual 8½" x 11" size.)

And—as an *extra bonus*—you will also receive *Investing in Common Stocks,* by Arnold Bernhard, Value Line's founder and research chief. This 64-page book explains how even inexperienced investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Safety. This book is YOURS TO KEEP even if you return the other material under your money-back guarantee.



This subscription is tax-deductible if utilized to aid in the management of your investments.

To accept this invitation—and to pinpoint the current list of low-P/E "combination" stocks referred to above—mail the coupon today.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. • 711 Third Avnue, • New York, N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

This famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $295. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)
☐ Enter my subscription now. Bill me for $295. (Does not include the calculator.)

Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid.

516J22

Fighting the doldrums, mutual funds have come up with some ingenious gimmicks.

Legal check-kiting and other games fundsmen play

By Richard Greene

BACK IN the golden days when they were riding high, the mutual fund managers proudly sold their supposed expertise to outperform the market.

But when the stock market was being kicked downstairs, lo and behold, the funds were, too. Total assets dropped from $46.5 billion in 1973 to $34.1 billion in 1974. Assets in October 1978—$43.5 billion—still haven't climbed back to the 1973 level. Factor in inflation and it's clear that the funds—whose lifeblood is management fees—have been hurting.

With their credibility reeling, the funds went in search of new ideas, starting with money-market funds. And though the money-market funds have been a success, total purchases for all other funds were $5.5 billion in the first ten months of 1978 against $6.2 billion in redemptions. That's sure not growth.

So, now the funds are getting downright ingenious. They're in the insurance business and the lending business, for example. They've even found a way to beat the U.S. Post Office and make a little money off the IRS.

Take free check-writing, one of the most popular of the new mutual fund gimmicks. First introduced in 1975, the checks work like regular bank checks, but draw against the fund. There's a nifty wrinkle in it, too: The money-market funds collect dividends on a daily basis. So, if you pay your income tax with a check against the fund, you can take advantage of the five or six days the check is in the mail and shuffling around the IRS.

Some investors have taken this a step further by buying Treasury bills with these checks. So from the time the T-bills are purchased until the check clears, the money is working twice: once gathering interest on the T-bills and again gathering dividends in the fund.

One California fund, the Capital Preservation Fund, has even gone so far as to use banks in four states through which the checks are cleared; one each in California, Rhode Island, Florida and Montana. If the investor is in Oregon, say, he writes out his check against the bank in Florida, thus taking maximum advantage of the float in the mails.

Another feature: In a family of funds, the investor can transfer money from one fund to another without paying additional commission. If it looks like a recession is on the way, get out of the stock fund and move to a safer money-market fund. And if things are looking up, go the other way. Some investors have been using this device to play market swings, switching back and forth several times a week (but some funds are clamping down on the practice).

Scudder, Stevens & Clark introduced an insurance policy just six months ago, with rates general cheaper than savings bank life. T only hitch is, you must stay in the fu to continue the policy. Says W. Russ Peabody, senior vice president of Scu der, "That's the objective—to keep t shareholder wedded to the fund."

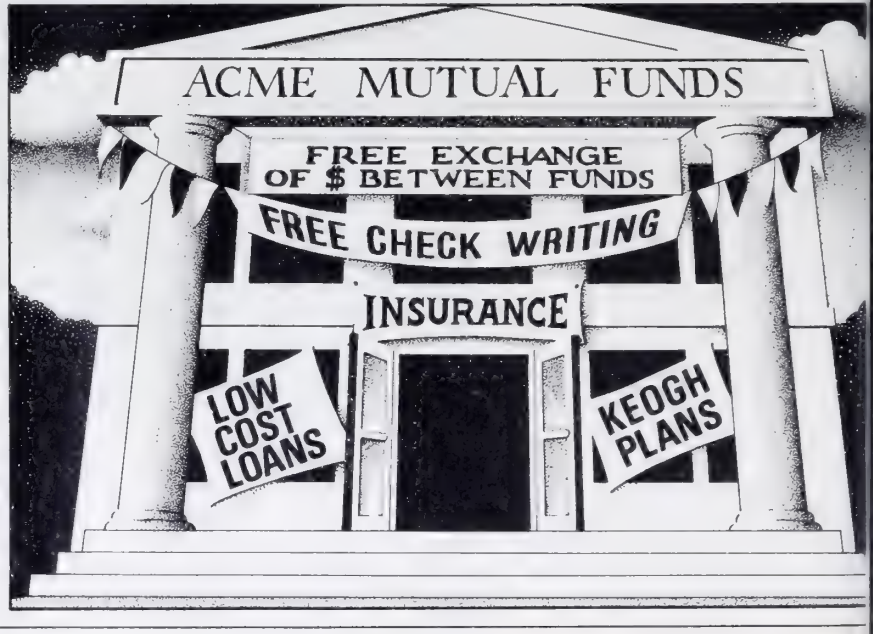
New York-based Neuberger & B man, the first to offer life insuran four years ago, is adding a health surance plan now.

Boston-based Fidelity Group h yet another service: a loan progra Individuals use their shares for coll eral, and interest rates are tied to t broker's call money rate, slight higher than the prime. Money can borrowed for any purpose. Of cour even this is expensive money now at about 13%.

Fidelity, which has one of t broadest arrays of extras, is now co sidering a new twist: low-cost brok age services. If a client wanted co mon stock outside the fund's port lio, he could call another subsidiary the group and order it at fees low than The Street's.

A mutual fund service which is d ing especially well is the Keogh plan tax-sheltered retirement plans for t self-employed. The funds get the ne essary IRS approval and, in exchan the investor puts his pension mon back in the fund. Many funds al have small-company pension loans.

Will these tricks save the fun from slow decay? Although they m not increase sales, there is hope th they'll cut down on redemptio Overall, "they're marketing aid says one fund executive, "and tha the name of the game." ■



Forbes Index

companies covered in news stories he columnists in this issue.

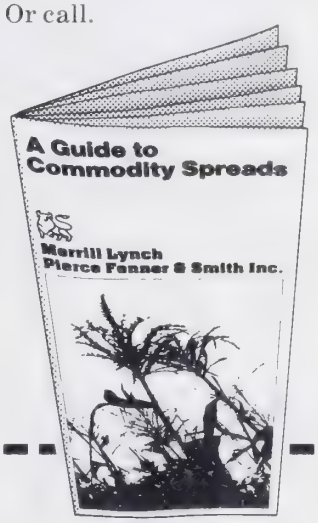
ıp of Monterrey 31
ı Motors 65, 80
ument 47
Richfield 10
& Wilcox 53
Trust 10
....65
reservation Fund 102
Pacemakers 62
n Int'l 98
....64, 80
Palmolive 66
Penn 98
....47
ion Engineering 53
wealth Edison 53
tal Bank of Chicago 9
tal Illinois 98
Glass Works 101
dcasting 54
inds 98
p 91
....92
lines 98
nds 98
....98
Electric 53, 90
....60, 75
....64
Group 102
....64, 80
rmany) 65
lectro-Optics 100
....53
....64, 80
rthern Nekoosa 41
A 31
....75
....32
ll 53
....83
rick 33
ics 62
....56
....10
n 47
urers Hanover Trust 8
ı Mfg 83
....83
Edison 53
....42
c 62
Metals 94
r & Berman 102
....65
Mines Ltd 58
....47
stern Mutual Life Insurance 10
ı Electronics 47
....42
annifin 98
res Marina del Golfo 31
Gamble 66
stems 53
vestment Assocs 34
Steel & Aluminum 8
....65
....68
tch/Shell 75
etzer 98
Stevens & Clark 102
Pacific of Los Angeles 9
Co 53
orp 83
of Calif 75
inc 37
elmont 85
pter 54
....75
mon Group 47
nada PipeLines Ltd 59
gen 64
ouse Electric 53

How to cut the risks of commodity speculation

To find out, send for Merrill Lynch's free booklet explaining how commodity traders could reduce the risks of futures speculation—and also trade with less capital.

It's done with a special approach to futures called "spread trading." It gives you an opportunity to take advantage of commodity price changes in more ways than conventional trading.

Booklet explains how to keep the risks of speculating manageable. How it can produce profits. Gives rule-of-thumb strategies. Explains different spreads, techniques. Mail the coupon. Or call.



"A Guide to Commodity Spreads"

Write: Merrill Lynch Service Center, P.O. Box 6118, Chicago, IL 60680
Or call toll-free: 800-243-5000 (1-800-882-5577 in Conn.)
In Alaska and Hawaii call the Merrill Lynch office nearest you.

Check one: ☐ I have hedged before. ☐ I have speculated before.

Name_____

Address_____

City_____ State_____ Zip_____

Business Phone_____ Home Phone_____

Merrill Lynch customers, please give name and office address of Account Executive:

Merrill Lynch Pierce Fenner & Smith Inc.

SF00122SPR

Copyright 1979 Merrill Lynch Pierce Fenner & Smith Inc

We're Fighting for Your Life

Please give generously
American Heart Association

You can either be squirrel food or the seed of a mighty tree.
PAUL RICHEY

The smallest actual good is better than the most magnificent promises of impossibilities.
THOMAS MACAULAY

Success is a different thing to every man.
WILLIAM FEATHER

Men may second fortune, but they cannot thwart her—they may weave her web, but they cannot break it.
NICCOLO MACHIAVELLI

We have no simple problems or easy decisions after kindergarten.
JOHN W. TURK

A Text . . .

So then because thou art lukewarm, and neither cold nor hot, I will spue thee out of my mouth.
REVELATION 3:16

Sent in by Marilyn Bell, Salt Lake City, Utah. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Power flows to the man who knows how. Responsibilities gravitate to the person who can shoulder them.
ELBERT HUBBARD

I have to be wrong a certain number of times in order to be right a certain number of times. However, in order to be either, I must first make a decision.
FRANK N. GIAMPIETRO

A successful executive is one who can make decisions.
JOHN H. PATTERSON

Thoughts on the Business of Life

Your success depends upon you. You have to steer your own course. You have to do your own thing. You must make your own decisions. You have to solve your own problems. Your character is your handiwork. You have to write your own record. You have to build your own monument—or dig your own pit. Which are you doing?
B.C. FORBES

Seek respect mainly from thyself, for it comes first from within.
STEVEN H. COOGLER

There are only two ways of getting on in this world; by one's own industry or by the weakness of others.
JEAN DE LA BRUYERE

The will to win is worthless if you do not have the will to prepare.
THANE YOST

The wicked are wicked, no doubt, and they go astray and they fall, and they come by their deserts; but who can tell the mischief which the very virtuous do?
WILLIAM MAKEPEACE THACKERAY

We don't always know when we have failed or succeeded.
ARNOLD GLASOW

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

The very substance of the ambitious is merely the shadow of a dream.
SHAKESPEARE

The ladder of success doesn't care who climbs it.
FRANK TYGER

Having connections may help a man on the ladder of life, but it will never keep those rungs steady beneath his feet.
JOYCE HIFLER

Only a mediocre person is always at his best.
SOMERSET MAUGHAM

Any piece of knowledge I acqu today has a value at this mome exactly proportional to my skil to deal with it. Tomorrow, whe I know more, I recall that piece of knowledge and use it better.
MARK VAN DOREN

The quest for knowledge and t application of that knowledge f man's benefit will not be denie
ROGER M. BLOUGH

Originality does not consist in saying what no one has ever sa before, but in saying exactly what you think yourself.
JAMES STEPHENS

A man's reputation is the opini people have of him; his charact is what he really is.
JACK MINER

Personal initiative, competitive selection, the profit motive, corrected by failure and the infinite processes of good house keeping and personal ingenuity these constitute the life of a free society. It is this vital creative impulse that I deeply fear the doctrines and policies of the socialist government have destroyed.
WINSTON CHURCHILL

You owe it to yourself to drive this car.

Introducing the all-new 1979 Mercury Marquis.

Take the Ten Minute Test Drive and discover a new Marquis standard of driving comfort.

owe it to yourself to spend ten minutes paring the 1979 Marquis to last year's quis, and comparing its EPA Interior ume Index ratings to any full-size car.

inute 1: Check the luggage capacity.
American car has more. With the new mini e, there's even more room than last year.

inute 2: Settle into more spacious interior.
e shoulder room and hip room than any Buick, Olds or Cadillac; there's nearly half ot more hip room in front. The '79 Marquis en roomier than last year.

inute 3: Take corners flatter.
quis has a new rear suspension. A four-bar design with axle centered coil springs, t mounted shock absorbers and larger ings at all suspension points.

inute 5: On bumps, dips — more stability.
oln-Mercury took years creating a tradi- of Marquis riding comfort. Ten minutes he road and you'll discover how far we've e in 1979.

Minute 7: Handle with new maneuverability.
A reduced steering ratio makes steering more responsive, maneuvering in tight places easier.

Minute 9: View the road through expanded glass area all around you.
More glass, a lower hood and new seating give you a commanding view of the road.

Minute 10: Read more visible instruments. Operate more accessible controls.
Dials are positioned to be read easily. Horn, wipers, high beam switches are mounted on the steering column virtually at your fingertips.

Listen to former Buick and Olds owners who drove Marquis and bought it.
Dial toll-free (800) 228-2400. (In Nebraska, (800) 642-8888. Alaska and Hawaii, (800) 228-2424.)

Listen to what some of them have to say. Then take the Ten Minute Test Drive yourself. You owe it to yourself.

A new Marquis standard of driving comfort.

MERCURY MARQUIS

LINCOLN-MERCURY DIVISION Ford

RCA launches television's first 4-hour video cassette recorder.

When television becomes more versatile, it's only natural to find RCA right there.

The SelectaVision video cassette recorder is the first video cassette recorder with a 4-hour capacity on a single cassette.

Viewers can tape any program off the air, replay it at their own convenience – and use the same cassette again and again for additional recording. They can record from one channel while viewing another. A built-in timer makes it possible to tape up to 4 hours automatically while everyone is asleep or away. There is even a black & white camera option that enables anyone to shoot a home-grown television special.

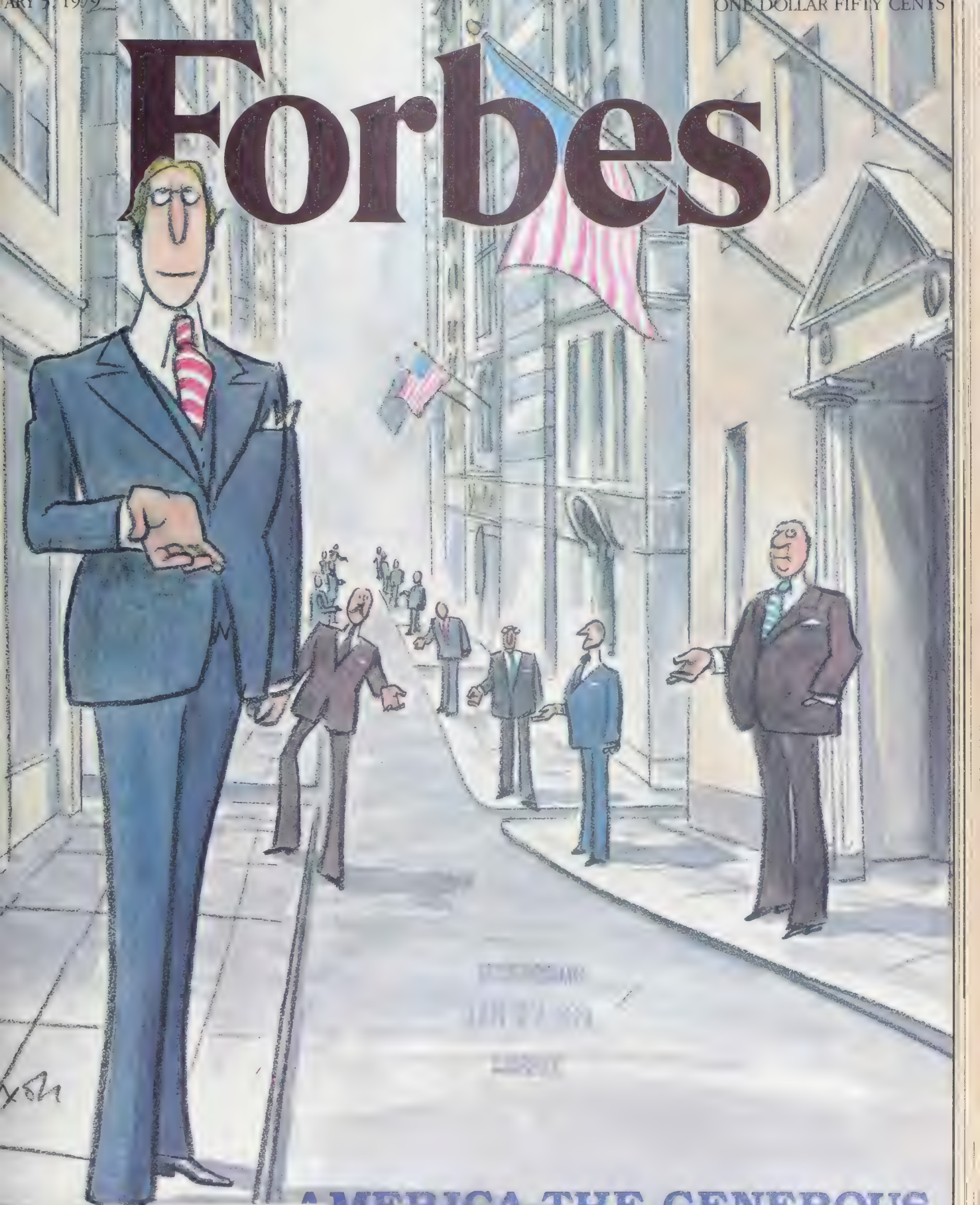
RCA is marketing this exciting new consumer product at a highly attractive optional retail price – and with heavy promotional and advertising support. The goal: to carve out a significant share of what promises to be a billion-dollar market.

From home entertainment products to Coronet floor coverings, from Hertz rental cars to weather satellites, RCA is dedicated to innovation, quality and steady growth. © 1977 RCA Corporation

The many worlds of RCA

ARY 5 1979 ONE DOLLAR FIFTY CENTS

Forbes



AMERICA THE GENEROUS
THE $9 BILLION CHARITY INDUSTRY

21573353 AP1 NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

Every year a leader... every year more desirable. That's Cadillac.

The Sedan deVille and Coupe deVille (shown) are leaders in the U.S. luxury car field. In sales success . . . in resale value . . . in repeat ownership. And yet, refinement continues. With Cadillac touches like seat belt chimes. Digital display AM/FM stereo radio. And more. All standard. Whether you buy or lease, see your Cadillac dealer. Every year, more people do.

GM

Cadillac

SOMETIMES A PRODUCT JUST KEEPS GETTING BETTER AND BETTER.

The Kodak Carousel projector is a good example of such a product. Tried, proved, and improved over time.

It uses gravity to gently drop each slide in place. It's whisper-quiet, too.

It features a curved-field projection lens. For sharp edge-to-edge projection.

It uses the Transvue slide tray that lets you see the number of the slide shown, even in the dark.

It comes in many models. So you can choose just those features you want. Such as remote control. Automatic focus. Even automatic slide changing at timed intervals. And there is a wide variety of accessories made for it. Everything from special-purpose lenses, trays, stack loader to special "presentation aids."

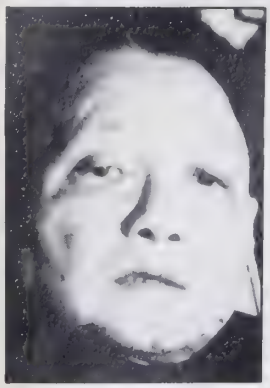
See the Kodak Carousel projectors at your photo dealer's. And enjoy the projector that keeps getting better.

©Eastman Kodak Company, 1979

KODAK CAROUSEL PROJECTORS Kodak

Forbes

February 5, 1979
Volume 123, Number 3

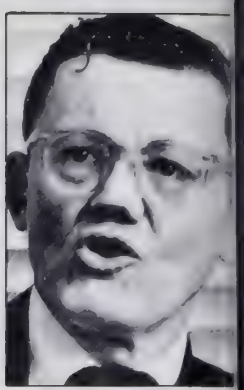


China: Teng Hsiao-ping's pragmatism is refreshing. But remember that Teng was in disgrace less than three years ago, and it will take a superhuman effort to achieve his ambitious objectives. **33**

Airlines: Harold Simmons is an admirer of Thomas Mellon Evans. Like Evans he is tough. And if he gets hold of Pacific Southwest Airlines, he makes no bones about what he will do. **52**

Cover Story: Americans give less than 3% of their disposable income to charity, an enterprise beset by high taxes, controversy and a good bit of dehumanization. But consider the alternative. **45**

Going To Jail: It's the newest occupational hazard in the life of business executives. **61**



The Money Men: Her Zenzie is one of the cou try's shrewdest and m successful money man ers. The force that shap him: grinding poverty. 8

Features

Photography: *Bedlam In Photoland.* Polaroid and Kodak are slugging it out in instant photography, and they both seem to be winning. In fact, so far there are few losers—but there are some. **35**

Aircraft: *The Boeing Bonanza.* A mighty financial tide is rolling through the U.S. aerospace industry from Seattle's Boeing Corp.—which last year announced orders for a record 490 commercial jets worth more than $11 billion. The beneficiaries are both large and small companies; but in the small ones, the results will be most dramatic. **37**

Companies: *One Thing After Another.* Why would Grumman Corp. give up its most profitable subsidiary? **39**

Companies: *Keep 'Em Comin'.* Black & Decker was a growth stock legend until its embarrassing 22% earnings decline in 1975. But the world's largest power toolmaker is back on top again, considerably smartened by the ordeal. .. **54**

Companies: *The Seventh Son.* Dexter Corp. has grown more than 30-fold in the last 20 years. The previous 191 were a bit slow. **66**

Statistical Spotlight: *The Game Isn't Over Yet.* Teddy Kennedy and the Justice Department notwithstanding, 1979 should be another big year for takeovers. As 1978 shows, the game is worth playing. **69**

The Streetwalker: *If You Could Love Just One.* Only the brave will stick their necks out and choose a single stock for 1979. FORBES found eight of the bravest. **70**

Advertising: *Making It Work.* Interpublic Group was the brainchild of a visionary who built the General Motors of advertising agencies but couldn't make it pay. A decade later, under more businesslike management, it's working beautifully. **72**

Temporary Employment: *A Cushion For Business.* Supplying "temps" may be the ultimate service industry. **78**

The Numbers Game: *Staving Off The Future.* Not even Meshulam Riklis can hold back the dawn. But you have admire the way he tries. .....

Vitamins: *The Will To Believe.* They may not cure the common cold, but they have been exceptionally healthy the secretive Swiss company Hoffmann-La Roche. .....

Faces Behind The Figures

Maxwell M. Geffen (McGraw-Hill)
Koshiro Chiwata (Pentax) .....

Coen Solleveld (PolyGram Group)
Raymond Zimmerman (Service Merchandise) 1

Claudio Ferrari (Fiat Motors of North America)
William G. Jennings (Quinlan & Tyson) 1

Money And Investments

The Economy: *The Fed's Surprising Bite.* Last December, most observers were convinced the fourth quarter was so strong t it would be impossible to slow down the economy without boom-or-bust. Now, many are not so sure. 1

Columnists

Ben Weberman 104
Heinz H. Biel 106
John Train 108
Ann C. Brown 1
Martin T. Sosnoff 1
Stanley W. Angrist 1

Departments

Side Lines 6
Trends 8
Follow-Through 12
Readers Say 16
Fact and Comment .....
Other Comments .....
Editorial Index 1
Thoughts 1

Credits: **Photos**—pp. 12, 33, UPI; p. 34, Sygma; pp. 36, 40, Michael Evans/Liaison; p. Brian Wolff; pp. 48, 54, George Tames; p. 49, Pat Pagnano; p. 52, Shelly Katz; p. 66, Geo Cardozo; pp. 72, 99, Bill Kelly; p. 77, Dave Hamilton; p. 79, Ray Fisher; p. 80 left, Bill Art Rogers; p. 80 right, Ed Nano; p. 84, Jerry Frank; p. 91, John Chang McCurdy; p. 100 top, S Klein; p. 100 bottom, Dana Thomas; p. 101 top, Art Shay; **Drawings**—p. 45, Charles Sax p. 61, E. Salem Krieger; p. 94, Daryl Cagle; **Charts**—pp. 103, 114, Andrew Christie/Ma Design.

Cover Illustration: Charles Saxon **Design Consultant:** Peter Pala

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N 10011. Second-class postage paid at New York, N.Y. and at additional mailing offi Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth A New York, N.Y., 10011. Copyright © 1979 Forbes Inc.

You can tell a lot about an individual by what he pours into his glass.

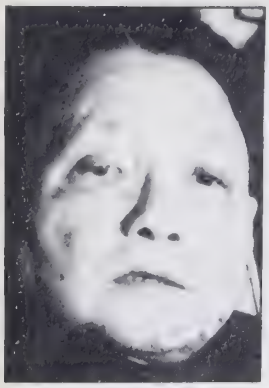
Bushmills.
The world's oldest whiskey.
Individuals have poured this smooth mellow whiskey since 1608.

skier" glass created for the Bushmills Collection by Henry Halem.

100% Irish Whiskies. 80 Proof. Bottled in Ireland. The Jos. Garneau Co., New York, N.Y. © 1978

Forbes

February 5, 1979
Volume 123, Number 3

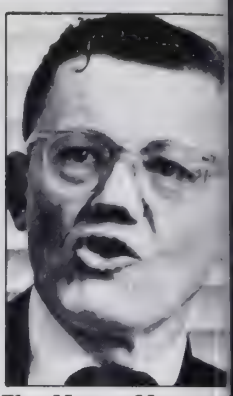


China: Teng Hsiao-ping's pragmatism is refreshing. But remember that Teng was in disgrace less than three years ago, and it will take a superhuman effort to achieve his ambitious objectives. **33**

Airlines: Harold Simmons is an admirer of Thomas Mellon Evans. Like Evans he is tough. And if he gets hold of Pacific Southwest Airlines, he makes no bones about what he will do. **52**

Cover Story: Americans give less than 3% of their disposable income to charity, an enterprise beset by high taxes, controversy and a good bit of dehumanization. But consider the alternative. **45**

Going To Jail: It's the newest occupational hazard in the life of business executives. **61**



The Money Men: He Zenzie is one of the co try's shrewdest and m successful money mar ers. The force that sha him: grinding poverty.

Features

Photography: *Bedlam In Photoland.* Polaroid and Kodak are slugging it out in instant photography, and they both seem to be winning. In fact, so far there are few losers—but there are some. **35**

Aircraft: *The Boeing Bonanza.* A mighty financial tide is rolling through the U.S. aerospace industry from Seattle's Boeing Corp.—which last year announced orders for a record 490 commercial jets worth more than $11 billion. The beneficiaries are both large and small companies; but in the small ones, the results will be most dramatic. **37**

Companies: *One Thing After Another.* Why would Grumman Corp. give up its most profitable subsidiary? **39**

Companies: *Keep 'Em Comin'.* Black & Decker was a growth stock legend until its embarrassing 22% earnings decline in 1975. But the world's largest power toolmaker is back on top again, considerably smartened by the ordeal. .. **54**

Companies: *The Seventh Son.* Dexter Corp. has grown more than 30-fold in the last 20 years. The previous 191 were a bit slow. **66**

Statistical Spotlight: *The Game Isn't Over Yet.* Teddy Kennedy and the Justice Department notwithstanding, 1979 should be another big year for takeovers. As 1978 shows, the game is worth playing. **69**

The Streetwalker: *If You Could Love Just One.* Only the brave will stick their necks out and choose a single stock for 1979. FORBES found eight of the bravest. **70**

Advertising: *Making It Work.* Interpublic Group was the brainchild of a visionary who built the General Motors of advertising agencies but couldn't make it pay. A decade later, under more businesslike management, it's working beautifully. **72**

Temporary Employment: *A Cushion For Business.* Supplying "temps" may be the ultimate service industry. **78**

The Numbers Game: *Staving Off The Future.* Not even Meshulam Riklis can hold back the dawn. But you have admire the way he tries. .....

Vitamins: *The Will To Believe.* They may not cure the common cold, but they have been exceptionally healthy the secretive Swiss company Hoffmann-La Roche. .....

Faces Behind The Figures

Maxwell M. Geffen (McGraw-Hill)
Koshiro Chiwata (Pentax) .....

Coen Solleveld (PolyGram Group)
Raymond Zimmerman (Service Merchandise) .....

Claudio Ferrari (Fiat Motors of North America)
William G. Jennings (Quinlan & Tyson) .....

Money And Investments

The Economy: *The Fed's Surprising Bite.* Last December, most observers were convinced the fourth quarter was so strong it would be impossible to slow down the economy without boom or-bust. Now, many are not so sure. .....

Columnists

Ben Weberman **104**
Heinz H. Biel **106**
John Train **108**
Ann C. Brown .....
Martin T. Sosnoff .....
Stanley W. Angrist .....

Departments

Side Lines **6**
Trends **8**
Follow-Through **12**
Readers Say **16**
Fact and Comment .....
Other Comments .....
Editorial Index .....
Thoughts .....

Credits: **Photos**—pp. 12, 33, UPI; p. 34, Sygma; pp. 36, 40, Michael Evans/Liaison; p Brian Wolff; pp. 48, 54, George Tames; p. 49, Pat Pagnano; p. 52, Shelly Katz; p. 66, G Cardozo; pp. 72, 99, Bill Kelly; p. 77, Dave Hamilton; p. 79, Ray Fisher; p. 80 left, Bill A Rogers; p. 80 right, Ed Nano; p. 84, Jerry Frank; p. 91, John Chang McCurdy; p. 100 top, Klein; p. 100 bottom, Dana Thomas; p. 101 top, Art Shay; **Drawings**—p. 45, Charles Sa p. 61, E. Salem Krieger; p. 94, Daryl Cagle; **Charts**—pp. 103, 114, Andrew Christie/M Design

Cover Illustration: Charles Saxon **Design Consultant:** Peter Pal

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, 10011. Second-class postage paid at New York, N.Y. and at additional mailing off Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth New York, N.Y., 10011. Copyright © 1979 Forbes Inc.

You can tell a lot about an individual by what he pours into his glass.

Bushmills.
The world's oldest whiskey.
Individuals have poured this smooth mellow whiskey since 1608.

kier" glass created for the Bushmills Collection by Henry Halem.

1978 Irish Whiskies 80 Proof. Bottled in Ireland. The Jos. Garneau Co., New York, N.Y.

Now, Chemical Bank gives worldwide cash management a whole new name.

Chems

Here's how unique services, systems and peop
combine at Chemical Bank to provide you
with the financial control you need.

It's not just the help you need to-
. It's the help you need to get a head
rt on the future. Because Chemical
nk's ChemSphere is dedicated to
iovation in cash management both
w and in the months and years ahead.
nging together the right people with
right knowledge, and backing them
with a commitment to R&D makes
emSphere constantly evolving, keeps
onstantly performing, commits it to
stantly providing the timely informa-
n you need to maximize the return on
ir financial assets. So if you think
emSphere is just another fancy
me, think again. Because even with
present services outlined below, it's
eady earned Chemical Bank a reputa-
n as the leader in worldwide cash
nagement.

hemical's ChemLink – e proven cash anagement system in ompanies and banks round the world.

As one part of ChemSphere,
emLink is an on-line system that pro-
les you with a modular, integrated
ans of planning and controlling your
nds management. As an information
tem, a mover of funds and an ana-
ical tool, it is without peer—currently
lping improve people productivity and
cision-making time in 31 countries
rldwide. With ChemLink, and the
e-to-face help from Chemical's con-
tants, you can access all your balance
formation from any combination of
emical and/or non-Chemical Bank
counts worldwide; initiate domestic
d international funds transfers, exe-
te foreign exchange transactions, and
t back hard copy confirmation almost
stantaneously; receive the most cur-
nt credit advices any time of day or
ght; design alternative short-term in-
sting or borrowing plans for evaluation and incorporation into your company's financial strategy under almost any economic situation likely to develop. Plus much more. And all with the ability to customize features and reporting format.

Chemical's Foreign Exchange Advisory Service – protecting overseas exposures for companies both domestic and foreign.

Faced with floating rates, new accounting standards, complex tax effects and constantly changing foreign regulations, many treasurers and financial officers are finding the help they need in another of ChemSphere's services. Because Chemical's Foreign Exchange Advisory Service tailors a specific package of consulting, up-to-the-minute information and computer programs to meet the particular exposure management needs of each individual client. Personal consultation on a continuing basis provides you with detailed knowledge of current techniques and protection strategies. Among the information material are daily, weekly and monthly reports on money market and foreign exchange conditions and the outlook for 26 key currencies. The computer models help you measure exposure and simulate protective strategies, as well as to compare borrowing possibilities in one or more currencies. To date, more than 120 companies worldwide have taken advantage of this truly unique service to protect their companies and their shareholders from foreign currency losses.

Chemical's ChemLock – the time-saving lock box system specifically engineered to speed your collections.

Here, again, is another part of ChemSphere that helps Chemical people put more bottom line benefits within your reach. Because ChemLock can speed the conversion of your receivables into cash.

It provides direct send availability of lock box remittances; improved float; a computer system that can access and update your receivables file on a 24-hour basis; increased control through a daily summary report that indicates each item's Federal Reserve endpoint and its availability. Not only can ChemLock help increase your funds availability, it can cut your administrative and operating costs, and give you more control over your remittance operations.

Chemical's people – the catalyst that makes the whole concept work like no one else's.

In today's fast-moving financial world, cash management can no longer be looked at in piecemeal fashion. That's the reasoning behind Chemical's ChemSphere. A continually evolving concept in cash management that can keep you one step ahead today, one step ahead tomorrow. A new concept in cash management that results from the interaction of Chemical's cash management specialists with each other and with their customers. The fact is, at Chemical you'll find people who are as innovative as the concept they sell and the customers they serve—people who have made us the leader in worldwide cash management. People who can help you simplify, gain greater control, make more productive use of your financial assets.

To learn more, write or call W.D. Baird, Jr., Vice President ChemSphere, Chemical Bank, 20 Pine Street, New York, New York 10005. (212) 770-3600.

phere.

CHEMICAL BANK

Leader in worldwide cash management.

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr.
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver, Steven Markman
Washington Bureau: Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager, Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Timothy J.Newcomb, Assistant Directors; Nikki Frost, Cheryl Wiesenfeld, Photo Researchers
Columnists: Heinz H. Biel, Lucien O. Hooper, Thomas P. Murphy, Stanley W. Angrist
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Lataniotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Mgr.; Arnold J. Prives, Fin. Adv. Mgr.; George C. Clissold, Donald W. MacDonald, G. Croft Henry, Charles S.Thorn Jr., John A. Wilson; Richard Calkins; Dir. of International Adv., James W. LaCirignola; H. Duncan McMillan, Dir., Spec. Proj.; Thomas G. Petersen Jr.
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Mgr
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Mgr.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Mgr.
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Mgr.; William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Mgr.
San Francisco: 625 Market St., 94105, John B. Cunningham, Mgr.
Classified: Sarah Madison, 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-675-7500

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Charitable bookkeeping

Executive Editor Jim Cook and Reporter-Researcher Chris Miles began reporting on our cover story about charitable organizations and fundraising with hopes low and their guard up. "The Greek word that charity comes from," Cook recalls, "designated the girdle of Aphrodite. Charity wasn't love, but it contained, encompassed, encircled it, and I thought charity today had pretty much lost that character. If nothing else, there were all those scandals—from Father Carcich dissipating $18 million in behalf of the Pallottine Fathers to Boy Scout locals falsifying membership records in order to bolster their Boypower registration drives."

By the time the reporting was done, Cook's hopes were considerably higher. "Most of the fundraisers I talked to," he says, "were sincere, dedicated people committed to the importance of the causes they were involved with and even idealistic about them."

But Cook's guard is still up. Part of the trouble in assessing any charitable organization, he says, is the lack of reliable, standardized financial data. Most major health agencies present consolidated financial statements, often drawn up according to generally accepted charitable accounting principles. But, curi United Way, by far the largest fund in the U.S., does not (few of the ag United Way funds do, either). Th cost of fundraising for which U Way is widely applauded must be largely on faith (undoubtedly jus but an act of faith all the same), wh those of, say, the National Found March of Dimes are verified by De Haskins and Sells.

Which is not to say that such acc may not be as creative as sometim the corporate accounts on which are modeled. Worried about their raising costs, many agencies try t derstate them by ascribing fundra costs to other programs. For exa the National Information Bureau watchdog of nonprofit organizat complains that Muscular Dystr charges some $1.2 million in tele expenses to "Clinical, Diagnostic, Community Services." Even the Cross subsidizes its supposedly self porting blood operations to the tu $8 million a year because local cha of United Way and the Red Cross t supporting the blood program mak easier to raise money—a cost that tainly shouldn't be ascribed to bloo to somebody's fundraising expenses

In the hall of the vitamin king

"Go see Roche, they're the ones who know." It was a competitor speaking, and it could have been anybody in the burgeoning bulk vitamin industry. Hoffmann-La Roche, the Swiss-controlled pharmaceutical giant (Librium and Valium), is the acknowledged colossus in this product area, which of all the high-profile products in the U.S. must be among the least understood.

"Come on out," exclaimed Roche's top U.S. man, John Kelly, when FORBES asked to visit the company's enormous, 250-acre drug and fine chemical complex in Belvedere, N.J. He practically slapped FORBES' back through the receiver: "I'll get some of my top executives together and we'll meet on Monday and fill you in on the vitamin industry."

The address turned out to be an obscure office building a mile or two away from the main campus. Kelly was not in evidence. Instead, a row of hard-eyed executives appeared, with manners that ranged from suspicious to hostile.

"Are you planning a Ralph Nader article about the vitamin industry? manded one fellow. After FORBES Writer Harold Seneker fielded s more questions about motives, a se executive broke in: "How much do know about the industry?"

Once satisfied their visitor really come to them to learn, the execu lost interest fast. They made it clear any conversation would be about th tail end of the business, which H mann-La Roche is not in, and not bulk manufacture of vitamins, where company predominates. "This is a c petitive, secretive industry," snapped. "The information is pr etary, expensive to get, and we a going to give anything away."

These tough, wary people seem t the pattern for the whole industry dominate—other producers say the s things in almost identical language. dismayed, Seneker looked elsewher learn what was up with the vita boys. His report begins on page 92.

Millions of people in America's small cities and towns depend upon the regulated trucking industry for their very survival.

But the industry did not always run smoothly. The Supreme Court of the United States described the industry prior to its regulation by the Motor Carrier Act of 1935 as "unstable economically . . . unable to satisfy the most minimal standards of safety or financial responsibility."

Today the trucking industry is giving America the most efficient, stable, orderly and low-priced freight transportation system in the world. Our motor carriers are virtually a lifeline to every community in the country, especially the more than 64 percent of all U.S. communities that don't have rail service. This lifeline delivers the food, clothing, manufactured products, machinery and other goods vital to America's homes, businesses and industries.

Regulation in general has become a matter of current interest. Those who see airline passenger traffic increasing as a result of deregulation might question whether deregulation of the trucking industry would be beneficial. However, this is marching straight into the past to make the same mistakes all over again.

Lack of regulation didn't work for shippers or the public in the 1930s, and it won't work today.

Air cargo deregulation, for example, has not brought lower rates. This concept was touted on the basis that shippers would get more service at lower cost, but air freight rates have already gone up as much as 10 percent—instead of going down.

Freight, unlike people, doesn't move because rates are lower. Freight volume is a stable "commodity," pushed higher or lower by the state of the nation's economy.

If motor carrier service were deregulated, shippers would not always know what they would be charged. Nor would they know whether their rates were higher or lower than those of other shippers. It would be the same story that it was in the past with the early non-regulated trucking industry.

The modern American motor carrier system efficiently supplies more than 200 million people with all the things they need at minimal cost. It has kept pace with an ever-growing and changing economy. Let's not jeopardize this system.

American Trucking Associations, Inc.

Today's Trucking Industry...It Works for America

Edited By John A. Conway

Antitrust apathy

Even with the clout of Senator Ted Kennedy behind it, don't expect much more than talk in the new Congress on the proposals to ban some conglomerate mergers. The Justice Department has already suggested such legislation and Kennedy, the new chairman of the Senate Judiciary Committee, will push it but he is given scant chance of success. The Justice bill would prohibit, with few exceptions, any merger creating $2 billion or more in sales or assets, and any union of a $1 billion company with one holding 20% or more of a concentrated market. Kennedy plans to introduce a similar bill in late February.

What makes adoption doubtful is that many politicians and economists remain unconvinced that "big is bad," the credo on which the proposals rest. Antitrust problems, they argue, arise from market concentration, not size alone. With no clear consensus, the probable result will be another long debate. During the 1960s, Congress threshed over this same issue for years and produced no legislation.

The new Congress, moreover, would appear to be no more enthusiastic about antitrust action than the last one. The 95th Congress tried and failed to reverse the Supreme Court's Illinois Brick antitrust decision (FORBES, *Jan. 22*), which allowed only direct purchasers, not final users, to sue for damages in a price-fixing case. Reversing that ruling had top priority and backing from President Carter, the Justice Department, the states' attorneys general, and consumer, labor and some small business groups. The ban on conglomerate mergers is much more controversial and has nothing like the support Illinois Brick generated. The President hasn't announced a position and even business groups are split. (Some small business organizations do back the idea of banning big-company mergers, a puzzling stance since that should logically make small companies all the more desirable as targets for takeovers—but perhaps that is what these small businessmen want.)

What Johnny eats

Washington's plan to ban or reduce sales of "junk foods" in public schools is proving a far tougher job than its advocates thought. Last April, the Agriculture Department proposed barring sales of candy, soft drinks, gum, etc., until after the final lunch period. The ban, affecting lunch lines, snack bars and vending machines, was to take effect in September. The reaction, from food firms, the public and the schools, was so strong that the department first postponed and then withdrew the proposal. Maggie Glavin, director of Agriculture's school programs, says the idea is not dead, however. Before making any new recommendations, Agriculture will hold public hearings during the next few weeks in three cities: Nashville, Detroit and Seattle. The federal government has authority to regulate sale of "competitive foods" in schools because it spends $2.7 billion a year on pupil-lunch subsidies.

The ineffable Rolls

Toyota, Datsun and Volkswagen may be the hot names in imported automobiles, but in its own quiet way the stately Rolls-Royce is more than holding its own. A 1979 Corniche convertible, for instance, bears a $110,000 price tag, a Silver Shadow II goes for $65,400—and both have waiting lists. The 1975 Corniche went for $63,800, a Silver Shadow for $36,250. Rolls makes only 3,000 cars a year, exporting 60% of them, between 1,000 and 1,100 to the U.S., 180 to 200 to the Middle East, about 100 each to France and Switzerland. Demand, obviously, exceeds supply. A 1975 Corniche that cost $63,800 new today commands $75,000—wholesale—and a $36,250 Silver Shadow of the same vintage will bring $37,500 from a dealer. In England, where the waiting list runs up to six years, markups are even more startling. A "new-used" Corniche (*i.e.*, one with 200 to 300 miles in "delivery mileage"), for example, costs $82,647 and resells for $137,500. Similarly, a 1979 Silver Shadow II, retailing for $56,800, brings $82,800 at resale.

An encore for the Founding Fathers

California's Governor Jerry Brown, in his new incarnation as tax-cutter, has already drawn one answer from the White House, following his call for a constitutional amendment requiring a balanced federal budget. That ringing challenge did not sit well in Washington, where Brown is regarded as a 1980 presidential hopeful and where President Carter has been touting his own plan to balance the budget by 1982. James T. McIntyre, the director of the Office of Management and Budget, said it would be "practically impossible" to write an amendment flexible enough to cover economic emergencies. "There's no magic solution to the problem," he maintains. Nonetheless, Brown, who became a fiscal conservative the day after Californians approved Proposition 13 and its 57% slash in property taxes, can count on plenty of support. So far, 22 states have petitioned Congress to call a cons tional convention to consider such amendment and others are slated to low suit before long. It takes 34 state get such a convention—which woul the first since the Founding Fathers theirs in 1787.

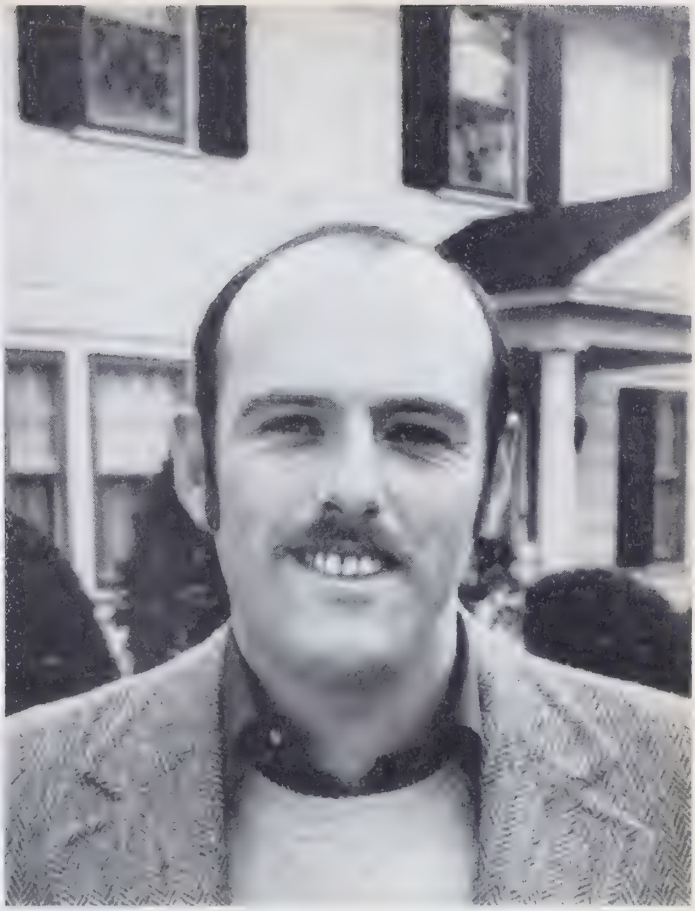
Perils of the press

Swashbuckling war correspondents not the only newsmen who walk in p at least in the Philippines. Teodor Valencia, that country's best-known umnist and one regarded as a lea spokesman for its president, Ferdinan Marcos, has advised businessmen are "harassed" by reporters to s them. Some newsmen, the *Manila Ex* columnist charged, were really "for business, trade or intelligence age and when they "intrude into private b ness and threaten business with adv publicity, they deserve some violent r tion." After one startled business re expressed incredulity, Valencia de any slip of the typewriter. "That's exa what I meant," he stated.

Goofy at the Games

In the midst of a typically French bro ha, France's athletes are scheduled take the field at the 1980 Olym Games in Moscow under the aegis o emphatically non-Gallic mascot—W Disney's Goofy, Mickey Mouse's clo ish canine sidekick, known to Fre

Goofy in Olympic regalia
Will la belle France be dishonored?



One of these homeowners is thrifty, safety conscious, and a sitting duck for financial disaster.

He doesn't even know it. He thinks he's done his est to protect his home and his possessions. He hasn't.

Many people, like the man on the left, believe they ave adequate homeowners insurance. But inflation as been pushing up the value of their homes. They on't update their coverage every year. So when disaster trikes, they are unable to fully recover their losses.

Rising replacement costs are one reason. In the ast 10 years the cost of re-siding a home jumped 132%, e-shingling a roof 155%; and repainting a living room 42%.[1] In the last five years alone, the cost of building a ew home has increased 63%.[2]

As a group of property and casualty insurance ompanies, we don't want you to be a sitting duck by not aving your insurance provide full protection for your ome. Check with your agent to be sure your home-wners policy reflects the amount of additional coverage nflation has made necessary.

lere's what we're doing to help protect you:

- Offering policies with a built-in inflation clause.
- Supporting strict building codes to reduce fire risk.
- Designing new coverages to meet the special insurance needs of older homes.
- Helping to develop safety standards which protect life and property.
- Operating special claims assistance and damage repair programs in times of catastrophe.
- Conducting fire prevention and arson control programs.

Here's what you can do to protect yourself:

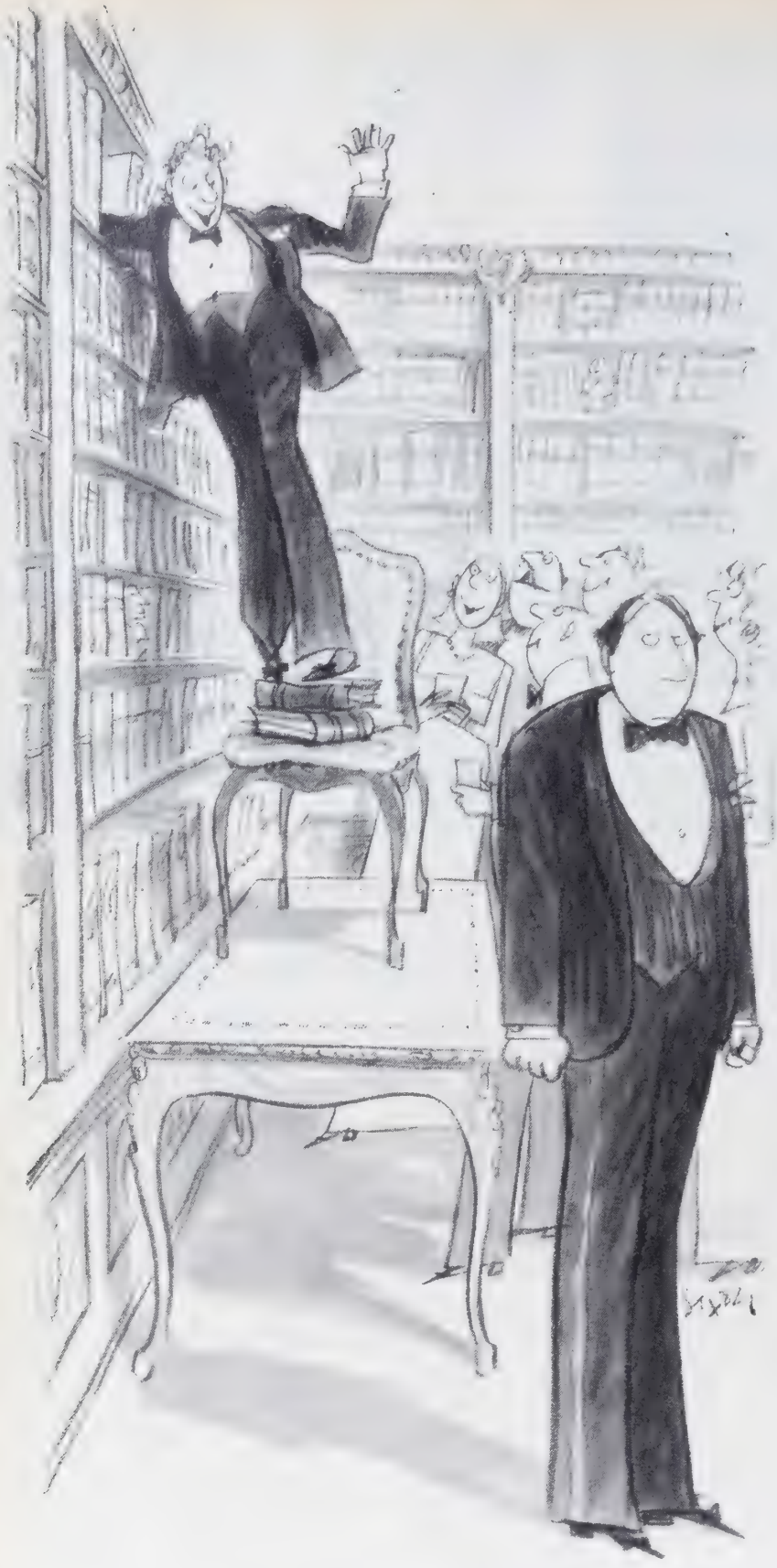
- Re-evaluate your home insurance needs annually with your agent.
- Take a higher deductible if you can. It lowers your premiums.
- Install a smoke detector or burglar alarm. Many companies offer premium discounts for such devices.
- Get a receipt or appraisal for all major household items (furniture, antiques, jewelry, art). Duplicate it and keep it and all such records in a safety deposit box away from your home.
- Inventory all your possessions and take photos of each room to document what you have.

1 Source U S Dept of Labor 2 Cost does not include land Source U S Dept of Commerce

This message is presented by: The American Insurance Association, 85 John Street, New York, NY 10038.

Affordable insurance is our business...and yours.

© 1979 American Insurance Association



"Hey, look everybody,
I found where George keeps the Chivas."

Chivas Regal • 12 Years Old Worldwide • Blended Scotch Whisky • 86 Proof. General Wine & Spirits Co., N.Y.

audiences as "Dingo." Although the should be lucrative—Disney is givin French National Olympic Comm half its 6% share of the take on t shirts and the 100 other items Goofy adorn—not all Frenchmen are enth A storm erupted in the Chamber of uties and in some French publica about the incongruity of using the ish, snaggle-toothed hound (Dis first contribution to the Games) to r sent *la belle France*. "A completely bitten American mascot will reall spire our champions," sneered one e rial. A Communist Party member o Chamber, posing a question for the ister of Youth and Sports, put an logical spin on the controversy by cl ing that in the U.S. Goofy "is seen symbol of success through money" thus is hardly compatible with Olympic spirit. Goofy/Dingo migh nonplussed by that far-out analogy though his late creator would prob grasp it instantly. Despite the uproa French Olympic Committee was val ly vowing to send Goofy to Moscow

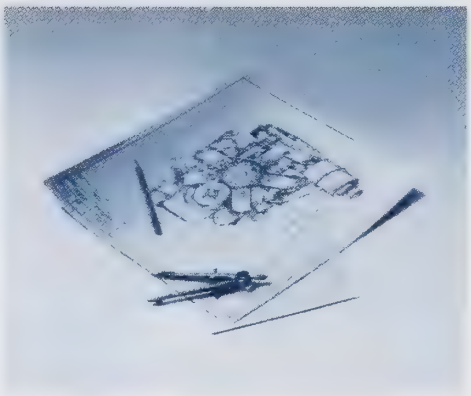
A doctor's dissent

The current campaign by public and vate health authorities urging an facing an operation to get a second s cal opinion beforehand is not ge unanimous endorsement from the m cal world. One dissenter is Dr. W. Stelmach of Kansas City, Mo., hea the American Academy of Family Ph cians. Get the second view, he says, not necessarily from a surgeon. "Pe definitely should take into considera that the business of surgeons is t surgery," Dr. Stelmach argues. "Cut is cutting and always traumatic. A surgical alternative should always be en a fair hearing."

Mutual money

Mutual fund managers are regarding year just past with mixed emotions. vid Silver, president of the Investm Company Institute, the industry's t association, calls 1978 the best yea history, with a net inflow of sales redemptions of $5.2 billion. Howe almost all the fresh money went into burgeoning "money market fun which invest in short-term paper Treasury bills and certificates of dep These had a net inflow of $6 bill Common stock funds were the lo with a net outflow of $2.5 billion. were disappointed," Silver says, poin out that the stock funds rose 31% value over the past three years, al 12% faster than the market generally

Phase 2: A 4.3-litre V8 diesel for mid-size passenger cars.



Only Oldsmobile now offers diesel V8s available in 19 different models.

Last year Oldsmobile introduced the world's first diesel V8 for full-size cars. This year we've introduced a new 4.3-litre diesel V8—especially for mid-size cars.

Only Oldsmobile now offers diesel V8s available in 19 different models—more than any other car line in the world.

Exceptional fuel economy. Now you can have the size car you want, with the fuel economy you need today. And you'll save money on every gallon based on the traditional price difference between diesel fuel and unleaded gasoline.

EPA mpg ratings—diesel V8

Models	Estimated mpg	Estimated Highway
C. Salons (4)	24	32
C. Supremes (3)	24	32
C. Cruisers (2)	22	29
Delta 88s (4)	21	29
Ninety-Eights (4)	21	29
Toronado (1)	21	29
Custom Cru. (1)	20	28

Remember: Compare this estimate to the "estimated mpg" of other cars. You may get different mileage depending on your speed, trip length and weather. Your actual highway mileage will probably be less than the estimated highway fuel economy.

Smooth and quiet performance. Diesels traditionally haven't been famous for smooth, quiet performance. But these V8-design diesels may surprise you. They're unusually smooth and quiet for diesels, especially at cruising speeds.

More miles per gallon...less cost per gallon...smooth, quiet performance. Too good to be true? Test-drive a diesel Olds today!

Oldsmobile

Have one built for you.

GM

YOUR COMPANY'S PERMA PLAQUE ...FREE!

Send us any award or certificate used by your organization. We'll Perma Plaque it for you *free* . . . and even hand-engross a name and date!

We want you to see how effectively a Perma Plaque can motivate your people. It is handsome. It preserves your prized document forever. It does your company proud!

(If you do not yet have an award program, our complete Design Service can create a document for you.)

Send for your FREE Demonstration Perma Plaque today. Write us on your company letterhead. Enclose this ad, your document, and give the name and date to be inscribed. No personal documents, please.

PERMA PLAQUE ®
7251 Varna Ave., N. Hollywood, CA 91605

CHANGE OF ADDRESS
If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION
To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).

Canadian orders, add $4 a year.

Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)

New Address:

City

State Zip

F-4826

Follow-Through

The nonnewsstand Esquire

"What could Esquire without *Esquire* possibly be?" FORBES wondered 16 months ago *(Oct. 1, 1977)* when *New York* magazine ex-publisher Clay Felker and his angel, British oil and press lord Vere Harmsworth, purchased Esquire, Inc.'s *Esquire* magazine for $1.25 million. FORBES' answer: "a much healthier company."

Abe Blinder, the company's silver-haired, 69-year-old chairman, obviously knew what he was doing. Without the magazine (which most outsiders thought was the firm's only property), Blinder has spent over $10 million on acquisitions: a Palm Springs, Calif. TV station; an emergency lighting manufacturer and a producer of dimmer switches—the last two for Esquire's $34.8 million (revenues) lighting products division; and Belwin-Mills, the leading U.S. educational music publisher. The latter is a natural complement to the company's sensationally profitable educational division, which produces filmstrips and textbooks and will contribute an estimated 39% of Esquire, Inc.'s $85 million sales, 60% of its $5 million net in fiscal 1979.

In the 12 months ending this March, Esquire *sans Esquire* should clear $2.23 a share, nearly double the earnings of the prior 12 months. The stock climbed from a 1977 low of 8¼ to as high as 14¼, and Blinder has hiked the dividend thrice, to 50 cents. Another big winner on the stock's runup is Charles Bludhorn's Gulf & Western, which owns ("for investment only") 26% of Esquire's 2 million-plus shares.

"We're still on the move," Blinder says, "and we're looking for larger acquisitions, in the range of the $7 million we paid for Belwin-Mills." His target areas include education, lighting products, more California TV properties, specialized books—and, yes, magazines, to add to the company's robust *Gentlemen's Quarterly* (about 350,000 circulation). A definite nontarget: low-budget feature films, which Blinder cherished high hopes for a year ago but which produced only a dull thud.

"The sale of *Esquire* was a great emotional shock," Blinder says, "but in the last year and a half our progress has been so great as to compensate for that shock many times over."

End of an affair

His diamond ring flashing, the chairman of Dallas' Sam P. Wallace Co. told FORBES a year and a half ago *(Oct. 1, 1977)*: "With Ghaith Pharaon as a partner, we have more work than we can handle." Carl Wallace, grandson of the founder of the mechanical contracting firm—with enues then of $169 million from in ing plumbing, air-conditioning and trical systems—was rejoicing be Pharaon, a Saudi Arabian busines with strong links to his country's family, had bought more than 1 m of the company's 3 million sh 850,000 of them from Carl Wal brother Robert.

Pharaon, son of an economic ad to old King ibn Saud, founder of Arabia, owns a $1 billion develop firm in his own country, plus pa several construction-related U.S. co nies and two American banks. His

Saudi Arabia's Ghaith Pharaon
It was all in the family, and then.

deal made him Wallace's largest sh holder, with 38% of the stock (Carl lace owns 25%). Wallace minded ne that, nor Pharaon's declaration to Securities & Exchange Commission he might add to his Wallace holdings would definitely suggest some strat through directors he would name.

Last month, the dawn came for Wallace's Arabian Nights fantasy. was in federal court in Dallas tryin stop Pharaon from buying absolute trol of the 76-year-old family comp Pharaon, he charged, wanted com sions that weren't due him and was ing to force the Dallas firm to m with Jacobs Engineering Group, In Pasadena, Calif. company. Phara spokesmen at Arabian Service Corp nied all.

cobs Chairman Joseph Jacobs also
the merger story was off the mark.
e tells it, he approached Carl Wallace
summer to talk merger. A receptive
ace, he says, told him he'd have to
k with his big Saudi stockholder.
s dragged into the fall, but Jacobs
Wallace cooled when it became
the California firm would be domi-
. Pharaon's interest, however, appar-
y quickened as he studied the deal.
January, Pharaon filed with the SEC
ntention to buy enough additional
k in Sam P. Wallace Co. to assure
the power to elect all of its directors.
ose contracts in far Arabia had lost
luster for Carl Wallace and he was
onger saying, as he had to FORBES:
raon is a good businessman; the
s have been trading for 2,000 years."
ace not only had more work than he
d handle. He had more than he could
lle, period.

Big-city blues

cautionary tale" FORBES called last
's report *(Oct. 30, 1978)* of how a rich,
splanted Parisian adman was learn-
the hard way, how to do business
New York's Byzantine bureaucracy.
iam Bouchara had figured that bus
ers like those he knew in Paris were
ed in the Big Apple and that selling
n their walls could profit both him-
and the city. With a borrowed $1
on, he formed Bustop Shelters, Inc.
after a year's wait, got a nonexclu-
contract to erect 900 structures.
he learned about red tape. Three
icipal bodies had to approve his de-
29 more had to pass on the loca-
. By early 1977, Bouchara was run-
out of cash and had to give up 30%
s company to get more. One of those
lked money with, venture capitalist
y Silverman, didn't invest but liked
dea so much he formed his own rival
Convenience & Safety Corp., in
ership with Jay Pritzker, the Hyatt
. chairman, and Saul Steinberg of
nce Group, both well-heeled and
influential. Still, Bouchara was in the
t of negotiating a 20-year deal with
ity when politics cropped up. Harri-
Goldin, the city's comptroller rev-
up to seek higher, statewide office,
uditing everything in sight in search
t headlines. He blasted Bustop—too
shelters in rich Manhattan, failure
eet construction goals, etc.
is January, a ten-year contract for
shelters went to Convenience &
y Corp. Bustop is suing the city and
ptroller Goldin, charging conspiracy
e away its property. The final irony
Bouchara (still president and top
holder) and his new chairman,
dan Snyder: Even without a con-
Bustop must still pay the city 5%
revenues in franchise fees. ■

New from OLYMPUS Optical Co., Ltd.

THIS NEW MICROCASSETTE™ PEARLCORDER REMEMBERS NOT ONLY WHAT BUT WHEN!

Pearlcorder™ D130 Microcassette™ Tape Recorder with the exclusive Quartz liquid crystal display clock, timer, stopwatch and digital tape counter.

Plus plug-in modules: AM and FM tuners, interview microphone, voice- actuator, and more.

If you appreciate the finest things in life, you'll understand why this is the costliest Microcassette™ recorder made. And you'll want this miraculous memory machine with up to 2-hours of recording on a tiny tape. Under $350, at your Olympus dealer. Or write for brochure, to Olympus Corporation of America, 4 Nevada Drive, New Hyde Park, N.Y. 10042.

MICROCASSETTE™ AN OLYMPUS DEVELOPMENT

Pearlcorder™ D130. The audio-video memory.

HONG KONG GOLD HK $1000

LEGAL TENDER GOLD COIN

The Government of Hong Kong has commissioned The British Royal Mint, the Official Government Mint of the United Kingdom, to strike a strictly limited issue of HK $1000 gold coins celebrating the Chinese Lunar Calendar Year of the Goat. January 28, 1979 is the first day in this new year. Chinese lore holds that persons born in the Year of the Goat are gentle, courageous and loyal. These coins are 22 carat gold, with a diameter of 28.4 mm, a weight of 15.98 grams, and have been struck in both Proof and Bright Uncirculated condition. This gold coin is legal tender in Hong Kong with a face value of HK $1000.

PROOF U.S. $330

Actual Size 28.4mm

B.U. U.S. $225

TO ORDER your Hong Kong $1000 gold coin(s), complete the order form at right. Send all credit card orders and checks or money orders in U.S. Funds to The British Royal Mint, 128 Passaic Avenue, Fairfield, New Jersey 07006

Struck by
The British Royal Mint
The Official Government Mint of the United Kingdom

Send To: **THE BRITISH ROYAL MINT** FBS
128 Passaic Ave., Fairfield, N.J. 07006

Please send me:

_____ **Hong Kong $1000 Gold Proof Coin(s) at $330 (US)**
_____ **Hong Kong $1000 Gold B.U. Coin(s) at $225 (US)**

I enclose a check/money order for $_____* payable to The British Royal Mint or charge my:

☐ VISA ☐ MASTERCHARGE-I.B. No. _____

Account No. _____ Expires_____

Signature _____

Prices include postage, handling and insurance. Prices subject to change without notice. *New Jersey residents add 5% sales tax. Please allow 60 days for delivery.

Name _____

Address _____

City _____

State _____ Zip_____

Report from GTE.

How these tiny glas computer at th

Is this the start of a major market? Optical fibers like these can even now carry the conversations of 2700 computers. Fiber cables have thousands of times the capacity of conventional cables of the same size.

ibers can let 2700 alk to each other same time.

hat's so important about that? Just this:
dinary telephone lines handle about 2400
" of computer talk a second. But computers
" to each other at 56,000 bits a second.
t enough computers together, all fighting
elephone time, and you could have a massive
c jam.
ere are several solutions to this. One of the
promising comes from glass technology.

er optics to the rescue.

etched very fine (five-thousandths of an
, a hair-like glass fiber can carry commu-
ions on a beam of light.
at light beam has extraordinary capacity.
ct, we have shown that one optical fiber can
more than 150,000,000 bits a second in one
tion. Two fibers would be able to handle the
ersations of 2700 computers at once.

er optics and GTE.

GTE, we have been involved with glass
s for communications for many years, both
e laboratory and in the field.

We were the first telephone company to install a fiber-optics system, using regular work crews, for regular telephone service. This installation, near Los Angeles, has been in continuous service for more than a year.

We are also installing two systems of different capacities in Belgium. When these two installations are brought to full operation, they will be able to carry over 173,000,000 bits a second.

And we are the first telephone company to field-test an all-data fiber-optics communications system.

It's only the beginning.

The real data log jam has not arrived yet. But, of all businesses, one of the fastest-growing is communications. And, within it, data communications is the fastest grower of all.

So GTE is working now, to prevent data paralysis in the future. We are trying to solve your data communications problems before they have a chance to become serious.

Fiber optics is one of the things we're doing.

GTE

One Stamford Forum, Stamford, Connecticut 06904.

Why is Cuesta-Rey #95 America's largest selling 60¢ cigar?

ANSWER:

- Made of all Natural Leaf tobacco
- Made of selected imported long leaf filler.
- Rolled with aged rare Cameroon English Market Selection Wrapper (ACW®)*
- Skillfully crafted in Tampa by cigar makers in the same tradition of quality since 1884.
- Hand packed with aged cedar in natural wood cabinets.
- Also hand packed in gold and black packets of 3 cigars with exclusive polyethylene liners to assure long lasting factory freshness.
- Choice of smokers who are accustomed to the taste and aroma of fine imported leaf.

Send for the special offer today so you too can soon enjoy the fine quality CUESTA-REY #95 cigar.

*African Cameroon Wrappers

60¢ each. Natural wood cabinet of 50—$27.00.† Cabinet of 25—$13.75.

Offered only by selected tobacconists

† Prices are approximate and subject to state and local taxes

Actual size 6¼"

SPECIAL OFFER

Traveling Man's HUMIDOR

(Limit – one to a Smoker)

Holds up to 10 large cigars — perfect for traveling. Order now and we'll pack it with three 60¢ Cuesta-Rey #95 English Market Selection all natural leaf cigars and send it to you for less than the price of the cigars alone. Send coupon and $1.00.

CUESTA-REY
ALL NATURAL LEAF CIGARS

Dept. F-51, Box 2030, Tampa, Florida 33601
Enclosed is $1.00. Please send my Traveling Man's Humidor packed with three #95 English Market Selection all natural leaf cigars.

Name

Address

City

State Zip

Please print legibly – Do not abbreviate
Offer expires June 30, 1979 F-51

Readers Say

Selective screams?

SIR: So another segment of U.S. Industry (international construction) cries foul over competition from foreign government/business duets *(Dec. 25)*. These U.S. firms are the first to scream against "big government" and for free enterprise when it comes to everything but their own interests.
—Douglass M. Domres
Brookline, Mass.

SIR: A sad footnote on the loss of international construction business by American firms is that the U.S. government has announced that certain foreign taxes typically imposed on American construction companies overseas will no longer be allowed to be credited against U.S. taxes on such income.

While, as you describe, other governments are offering tax breaks and tax holidays to their construction industries engaged in the international arena, the U.S. is now proposing double taxation of those profits.
—Maurice L. Mosier
President,
National Constructors Assn
Washington, D.C.

Methodists not to blame?

SIR: The lawyers for the United Methodist Church *("The Methodists and mammon," Dec. 25)* might well seek a judgment as to who is responsible for the unforeseen inflation which made those retirement community contracts undeliverable.
—Winston Trever, D.D.
Pacific Grove, Calif.

Wrong target

SIR: A group of South Carolina legislators has charged that "the rate of profit which the power companies in South Carolina [including Duke Power] are now making is unconscionable." This occurred while a rate increase is pending.

Incredibly, the cause of this reaction is your Jan. 8 Report on American Industry, the same report which ranked Duke Power Co. so low in profitability. The legislators selected a single statistic from your report—net profit margin—and used that to attack the utilities.

Net profit margin is not meaningful for electric utilities. [Among other things] it includes capitalized cost of funds for construction. Income from electric operations is a much lower figure than "net income" for a company like Duke, which has a large construction progr
—W.S. Lee
President,
Duke Power Co.
Charlotte, N.C.

Reader Lee makes a valid point. The important yardstick of a utility's finan health is its return on capital, and Duke's five-year average is substandard for a utility—ED.

Betting on Swiss franc

SIR: The low value of the U.S. dollar *absurd compliment to Switzerland," and Comment, Dec. 11)* is not due to Swiss nor any other country. This is tirely due to the U.S. itself. We balance our budgets; we print more m ey than we should; and we spend beyond our means.
—Traugott Rohner
Evanston, Ill

SIR: My bet is on the Swiss franc, spective of Malcolm S.' siren call.
—Larry F. Ferguson
Dallas, Tex.

Who's who

SIR: On page 54 of your story of West house *(Jan. 22)*, there is a picture man identified as Westinghouse Ch man Robert E. Kirby. The photo is n Kirby but rather of Westinghouse Chairman and Chief Operating Off Douglas D. Danforth.
—James Sheldon
New York, N.Y.

Reader Sheldon is correct—ED.

Kirby

Danfor

Regulatory villains

SIR: Bravo on M.S. Forbes Jr.'s *(Dec.* comments which truly reveal "An posed Front" with regard to the

How to get on top of everything that's happening in risk management.

Get on the J&H computer network.

Tight insurance markets, surging premiums, and the cost of money have spurred senior executive interest in risk management.

However, some corporations are finding that the nearby office of the broker servicing their needs is totally dependent on some distant headquarters office for risk management analysis and direction.

Not at Johnson & Higgins. Our computer network can link any J&H office directly to our exclusive risk management software programs. These programs are invaluable support for our on-site risk management specialists, a combination that will help you reach sound and timely decisions.

For example, in a matter of minutes, J&H can compare a captive approach with a cash flow plan or self-insurance, or with a conventional cost-plus program. And if you wish, we can do it right in your own office.

J&H risk management sophistication. It's as close as your nearest J&H office. Why not call today?

Johnson & Higgins

The private insurance broker. We answer only to you.

A group of risk management specialists at a J&H computer network terminal: Richard E. Meyer, New York; L. John Goldberg, Philadelphia; James P. Lang, Los Angeles; and John E. Schroeder, Boston.

How do you build the first trade route from America to China?

Ask Chicago's Bank.

Ten new iron and steel complexes.
Eight new coal mines.
Ten new oil and gas fields.
Thirty new power stations.
Six new trunk railways.

That's only a small portion of China's eight year economic development plan. A plan that calls for the purchase of huge quantities of capital goods from abroad. The market potential is staggering.

Trouble is, up to now, trade with China has been fraught with delays, detours and dilemmas for U.S. companies. There was just no direct way to get there from here.

Things have changed.

In 1978, First Chicago established the first direct correspondent banking relationship between a U.S. owned bank and The Bank of China.

This special relationship gives you direct access to the enormous and virtually untapped Chinese market.

First Chicago can issue commercial letters of credit, make payments and collections, and handle the foreign exchange for your China transactions. With no third party involved.

To date we have 64 installations in 35 countries to expand your business world. Each one able to provide a broad spectrum of financial services. Besides fast processing for your foreign trade transactions, we can give you first hand knowledge of local business conditions and restrictions, help you locate customers, sources or partners for joint ventures. And we can provide local currency financing practically anywhere in the world.

China offers opportunity for businesses of all sizes. To put First Chicago's $21 billion financial force to work for you, call Gregory Tallas, Vice President, at (312) 732-8513.

In America, or anywhere else in the world, ask Chicago's Bank.

FIRST CHICAGO
The First National Bank of Chicago

Chicago · Atlanta · Baltimore · Boston · Cleveland · Houston · Kansas City · Los Angeles · New York · San Francisco

© 1979 The First National Bank of Chicago. Member F.D.I.C.

AND A THRIFTY SPECIAL ACCOUNT CAN SAVE YOU UP TO 48.7%. In order to "out-Thrifty" Thrifty, our major competitors would have to give you a discount of up to 48.7%. Maybe more. And our Special Account program gives your company a choice of ways to save. (1) With special low time and mileage rates, gasoline included. (2) With cost-cutting "dry" rates whereby you buy the gasoline and Thrifty throws in the first 100 miles per day.

We'll include $1 million combined single-limit BI/PD insurance in the bargain, plus collision protection with $100 deductible—as opposed to competition's $250 deductible.

We'll give you lots of extra Thrifty service, too. Like confirmed reservations on any size car, courtesy airport pickup and delivery and more.

And we'll provide it at nearly 400 destinations in all 50 States, Canada, Central America and Great Britain.

For details, send the coupon. We'll give it very special attention.

THE OFF-AIRPORT CAR RENTAL CENTERS.

THRIFTY RENT-A-CAR

Thrifty Rent-A-Car System, Inc., 430 Exchange Center, Box 35250
Broken Arrow Expressway, Tulsa, Oklahoma 74135

Please send me Special Account information my company needs. I understand we are under no obligation by making this request.

Name _____ Title _____

Name of Business _____

Mailing Address _____

City _____ State _____ Zip _____

Franchises available

Readers Say

causes of inflation. Our pregnant reaucracy continues to give birth to and more regulations with no reli end of gestation in sight.

Regulations only add further burd the private sector who are trying to costs but cannot due to extra costs ed to comply with regulations.

—Philip M. Crane
Member, House of Representatives
Washington, D.C.

SIR: Probably the greatest savings could be made would be to stuff red down Ralph Nader's throat and congressional sessions to three d year every other year.

—S.R. Mautner
Boothbay Harbor, Me.

No match for CPAs

SIR: Your article on economists *(Ja.* made reference to top economists c ing $1,200 per day. No need for s partners in Big Eight CPA firms t their hearts out. They could run up kind of bill by lunchtime.

—Michael R. Griesmer
Santa Barbara, Calif.

Dentists benefit

SIR: Tootsie Roll Industries looks attractive for investors, accordin FORBES *(Dec. 25)*. The writer faile mention, however, the hidden ben for dentists.

Having damaged my expensive bri work on a Tootsie Pop during the days, I can only wish that I were col ing dividends from the company to the cost of repairs.

—Mrs. Gordon Walsh
Lovettsville, Va.

No Mickey Mouse public

SIR: The celebration of Mickey Mou 50th birthday is a tribute to the Disney publicists who managed, so f I know, to keep out of print or comm the widespread usage of "Mic Mouse" to denote improvised, tem rary, make-do, makeshift, flimsy, de tive, fraudulent, the American versio Potemkin's houses, etc.

—Martin Field
Chairman,
Emjay Co.
Los Angeles, Calif.

Disney's director of publicity, Tom Wil should take a bow—ED.

ow to put five people to work comfortably where you now have four.

t them to work in the Westinghouse pen Office System.

The average traditional enclosed ice covers up to 120 square feet of floor ace. Which is about 20 more square t than most workers probably need.

Trouble is, you have to pay rent on se extra 20 square feet.

The average Westinghouse Open fice System work station covers only out 85 square feet. So it's smaller than raditional office. But it's just as mfortable.

That's because our work stations part of a system specifically designed fit *people* — and the work they have do.

So if your office is furnished with Westinghouse Open Office System, u can put more people in the same ace or the same number of people in s space than you have now.

How the Westinghouse Open Office System is helping one major company save 16 2/3% a year on rent.

A large Midwestern manufacturing company was about to lease six floors of a new building, until it discovered that with the Westinghouse Open Office System, it would only need five floors.

That saves 16 2/3% on rent each year. And because office workers like working in the new system, the company reports productivity has increased, too.

If these benefits interest you, we'd like a chance to explain the Westinghouse Open Office System to you in detail.

Write Westinghouse Architectural Systems Division, 4300 36th Street, S.E., Grand Rapids MI 49508. Or call toll-free **(800) 821-7700.** In Missouri (800) 892-7655. In Canada, call collect (416) 362-7796. In Geneva, Telex Westeast 27871.

Westinghouse ASD Open Office System

Making more people more productive in less space at lower cost.

The Mercedes-Benz 240 Diesel– is it the world's finest economy car, or is it the world's most economical fine car?

Best EPA mileage figures in its class, yet first-class finish inside and out. So frugal-minded that a manual shift is standard, yet so Mercedes-Benz that 4-wheel independent suspension, 4-wheel disc brakes, even a quartz-crystal chronometer are standard, too. The 240D may be hard to classify, but the following 12 sales points make its amazing worldwide success very easy to understand.

1. The 240 Diesel is the most *affordable* Mercedes-Benz sold in America, over $5,000 lower in price than the next model in the line. But no engineering corners cut; for your money, you get pure Mercedes-Benz.

2. Based on official used car prices over the past five years, Mercedes-Benz cars retain their value better than any fine car built in America. This includes the 240 Diesel.

You can buy or lease this car, warmed by the knowledge that Mercedes-Benz sedans over a three-year span have retained up to 80 percent of their value.

Estimated mpg: 30

3. The 240D's four-cylinder, 2.4-liter Diesel engine is a marvel of efficiency. It not only sips the cheapest automotive fuel you can buy, but sips it at the most miserly rate of any car in its EPA class.

The number: an estimated 30 mpg. This is the U.S. Environmental Protection Agency estimate for a 240D equipped with a 4-speed manual transmission. *Remember:* compare this estimate to the "estimated mpg" of other cars. You may get different mileage, depending on how fast you drive, weather conditions, and trip length.

To dramatize the benefit: you could actually think of tanking up in New York and driving the 233 miles to Washington, D.C. And back to New York again. And still have enough fuel left to ramble around town for a while.

The expenses that aren't there

4. As a Diesel, the 240D is designed to outflank many of those nickel-and-time repairs and adjustments that can bedevil a gasoline engine and drive its maintenance costs up.

Think of what you've spent over the years on carburetor adjustment, spark plug replacement, on points and distributors and condensers.

Then think about the 240D, which *has* no carburetor or spark plugs or points or distributor or condenser.

5. Like its engine, the 240D's body is designed and built with the long haul in mind.

Almost 80 pounds of the car's weight consists of anti-corrosion protection, including five coats of primer and paint.

None of the traditional Mercedes-Benz quality touches is skimped. *Examples:* the additional plasticized layer of primer, sprayed over the entire lower part of the body just to protect the paintwork from flying gravel; the special anti-corrosion wax, injected deep into body crevices.

The nuts & bolts that aren't there

6. On the intelligent theory that a well-made car is more likely to hold up in the long run, the 240D is built as a rigid, monocoque shell and welded at 4,786 points.

Body and frame are one. This helps save weight, which in turn can help save fuel. And monocoque construction also helps make the 240D notably strong and solid.

7. Unlike most fine cars today, the 240D doesn't force luxury extras on you. You can equip this car exactly as you want, from simple to sumptuous.

Mercedes-Benz thinks power-assisted steering and brakes are too vital in minimizing driver fatigue to be omitted. But air-conditioning, electric windows and other conveniences are up to you. Omit them if you insist on maximum fuel efficiency. Or order them as extra-cost options if you don't.

The 4-speed manual lives

8. The 240 Diesel is one of the very few cars in the "fine car" field that provides a 4-speed manual transmission as standard equipment.

The purpose is efficiency – less power lost between engine and rear wheels. And economy – lower initial cost.

If you don't choose to emphasize efficiency quite so much, a 4-speed automatic transmission is available at extra cost.

Tuned seat springs

9. Economy car or not, the 240D puts great stock in making you comfortable. The engineers think this helps make you more alert.

Those firmly upholstered front seats can be adjusted for height and fore-and-aft travel. You can angle the backs from near vertical to almost horizontal. Their springs are tuned to the suspension of the car – the aim, to help reduce fatiguing minor oscillations.

Lavish engineering, standard

10. The engineering expertise you admire in the costliest Mercedes-Benz models is not watered down in the 240 Diesel.

Carried over into the 240D is a fully independent suspension system, with zero-offset steering for straight-line stability in hard braking.

The shock absorbers are gas-pressurized to help muffle minor bumps, and four-wheel disc brakes are fitted as standard.

The costliest Mercedes-Benz models boast a central vacuum system that simultaneously locks or unlocks all four doors, the trunk lid and the fuel filler port with one twist of a key in the driver's door. And so does the 240 Diesel.

11. The 240 Diesel renders all its efficiencies and economies without depriving the driver of the performance needed for today's traffic conditions.

Last, but not least

12. The 240D comes equipped with no fewer than *120* built-in safety features.

This is precisely the number of safety features built into the costliest Mercedes-Benz models.

Engineered like no other car in the world

The Mercedes-Benz aim is doggedly single-minded. It is to build safe, comfortable, practical cars with as few imperfections as possible.

This philosophy puts engineering ahead of petty economies and precludes the mass production of inexpensive cars.

A Mercedes-Benz is engineered like no other car in the world.

©1979 Mercedes-Benz of North America, Inc., One Mercedes Drive, Montvale, New Jersey 07645

Harris technology on the job

Harris 2500 Copy Processing System
at *The New York Times*

In information systems, Harris produces data processing terminals, general-purpose computers, word processing systems and supervisory control systems.

Harris computer-based newspaper word-processing systems are helping papers of all sizes automate editorial copy processing, advertising layout and typesetting operations. Boosting productivity. Delivering fresher news.

Harris technology works worldwide—in communication equipment, information systems, government systems, semiconductors and printing equipment. For information, write: Harris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATIONS AND INFORMATION HANDLING

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

EVERYTHING'S NOT HUNKY-DORY IN RUSSIA EITHER

oo often too many Americans who should know better tend hink of Russia in exaggerated terms—monolithic, one ed voice, totally committed ideologically. Such nonsense seriously affect U.S. foreign policy, from SALT to irrational onses in other situations—Iran, the Middle East, Southeast , the African Horn, the Indian Ocean, ad infinitum.

Russia's as nervous about the outcome in Iran as we are. U.S.S.R. has a large Moslem minority, and it doesn't want e citizens ignited by renewed religious fervor.

The Russians are vastly more concerned—and with rea--over China than they are gleeful over their momentary ort with Ethiopia.

Anytime in the not-too-distant future in Poland or Rumaor again in Czechoslovakia peoples' revolutions could dump their U.S.S.R.-kowtowing Red regimes.

• Our inflationary problems come from too rapid economic growth. Russia's internal problems come from faltering agriculture and an inability to get at Siberian oil and minerals and get them to where they're usable or exportable.

• Except in missiles, their technology is woefully laggard. Illustrative of this: Factories can't preshrink clothing materials, because the relevant commissars would demand to know what happened to the yardage that "disappeared," why quotas weren't met.

We got problems.

All God's chillun got problems.

And the ungodly Red Russian government's got problems in spades.

NOW IS THE TIME TO BUY STOCKS

as we've been saying here for some time (including when they were selling higher than presently), and we get nearer to being right with every passing month.

RADICAL AMTRAK AMPUTATIONS

possibly now take place before endless, new, costly cash sfusions further drain our federal treasury sieve.

achieve Carter's federal-deficit goal of "only" $30 billion, nore painful cutbacks in spending are in prospect than this ff would be.

ending $billions to keep passenger trains running be-n prideful prairie towns and between suburban Toonerville was absurd from the beginning, and is now unaffordably so.

In recommending that now's the time for sensible decisive action on Amtrak, Dr. Frank Mulzey of Northeastern University, in a memorable piece of prose, pointed out: "It's also true that small towns are without subways, international airports or hospitals that can perform heart transplant operations."

WHICH REMINDS ME THAT THE PRESIDENT

t to be reminded that he's *not* powerless to knock the s off some of the "mandated" federal spending that *seems* rry legal limits to what he can put his hatchet to.

st as New York City discovered when hanging by its nails the bankruptcy cliff, there are plenty of ways, plenty of er, to chop spending when there ain't no more greenies able to spend.

me in Washington—and I honestly think this now in-es the President—realize that the dollar itself was nearly the brink, and is still at it.

To save our dollar and the Free World from economic catastrophe, we must bring our federal budget nearer to balance. We must bring our imports into balance with our exports. We must stop mandating "desirable" social objectives that skyrocket the price of everything and every service. We must simply stop printing money if the buck is not to go belly-up, and our freedoms with it.

The Administration should study what New York found possible to do when necessity dictated it, and do some of the same on the federal level.

HAVE YOU EVER HEARD OF A SHIP NAMED "THE MUNCHEN"?

In a time when everyone's intimately familiar with tragedies at sea—*Titanic, Lusitania, Morro Castle, Andrea Doria, Torrey Canyon*—you'd think we'd be aware of a very recent marine disaster that involves the largest single loss ever to have occurred at sea.

The Munchen, a six-year-old container ship, was last h of heading into a storm on Dec. 12 off the Azores. The was insured for $43 million, its cargo for $9 million. Witl crew of 28, the ship has simply totally disappeared. The eff on marine insurance will be a long time disappearing.

THE McGRAW IN McGRAW-HILL

is going great guns. Since Harold W. McGraw took the helm four years ago, its net income is up a towering 88% or more, with an average 17% yearly improvement. As one whose name, too, is the same as the company's, it's great to be able to applaud a nepot who's overcome his advantages.

Much as we don't like to acknowledge it, since this Mr. McGraw's headed McGraw-Hill, even *Business Week* has forged ahead in revenues.

Now let's not overdo things like *that*, Harold.

(Since I wrote the above editorial, it seems Am can Express has come to share the same view. T informal but formidable "bank" has lots of mor but much else is involved in a publishing busines the caliber of McGraw-Hill. I hope its stockhold opt for the independence of this great firm instead quick buck. . . . Now if we were trying the takeo my viewpoint might be a bit different of course.)

INVESTORS SELL TOO SOON

That's what the vice president of famed old British auction house Christie's told me in referring to those who set out to "invest" in art, antiques and artifacts of one sort or another.

"You need a collector's mentality if you are buying such things as investments. Those who approach their buying as investors sell too soon; they sell when they read or hear about a higher price for objects similar to theirs.

"A collector, one who buys because he really cares ab what he's collecting, keeps his things far longer, and far m often he turns out to make far more money from them."

Interesting point, don't you think, when so much is b made these days of art and antiques as investments.

READING SUGGESTIONS—WITH SAMPLINGS

Alice, Let's Eat—by Calvin Trillin

A super plum-pudding of a book, so rich in wit and words it's not to be devoured in one sitting. (Random House, $7.95)

Excerpts: *For a long time, I have had the suspicion that Alaska and Florida are providing each other's shorefront restaurants with bland frozen fish, in the way that some countries with cultural-exchange agreements provide each other with overly polite high school students. . . . One c we know who never seemed to go through any of the unfo nate phases is a friend of ours named Colette Rossant, wh dinner invitations I have always treated the way a savi and loan lobbyist might treat a note asking him to a sn poker game with Senate Banking Committee members.*

The Ann Landers Encyclopedia A to Z

With this engrossing, all-embracing volume, you will be able to do exactly what the subtitle suggests: "Improve your life Emotionally, Medically, Sexually, Socially, Spiritual (Doubleday, $17.50)

Fighters

photos by George Bennett, text by Pete Hamill

George Bennett's photographs pack the punches they depict, and Pete Hamill's pithfull paragraphs bring to this "sport" dimensions that most of us never knew it had. (A Doubleday Dolphin Book, $7.95)

Excerpt: *It doesn't matter what the gym is called. It is always on an upstairs floor, in a cheap loft in a bad neighborhood. And that first trip upstairs from the street has been described by many fighters as the longest journey of their lives.*

Eye of the Needle—by Ken Follett

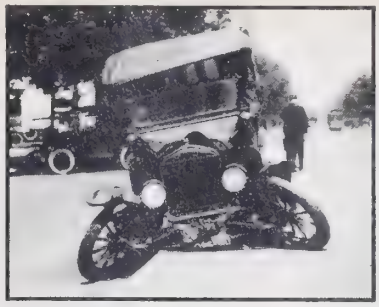
German superspy in World War II England. An unputdownable thriller. (Arbor House, $8.95)

Excerpt: *Her mother helped [Lucy] out of the wedding dress and said: "Now, my dear, I don't quite know what you're expecting tonight, but you ought to know—"*

"Oh mother, this is 1940, you know!" Her mother colo slightly. "Very well, dear," she said mildly. "But if there anything you want to talk about, later on . . ."

America's Yesterdays—by Oliver Jensen

liver Jensen is the nonpareil editor for king America's past a relevant and excit- part of its present. Under his tutelage, erican Heritage achieved its extraordi- success. In this volume of his discover- of mostly unexplored photographic de- ts, he's given his countrymen yet an- er treasure. (American Heritage lishing Co., $34.95)



xcerpt: *For all their odd hats, high collars, and impossi- clothes, these generations [from 1870 through the 1920s], young or old but now dust, seem as young or old and alive as we ourselves. To dig through the old boxes and turn the album pages, day after day in the library's stacks, is to pass through a ghostly door and begin to live among them. And coming out at closing time, past the guards and into bustling streets of the late twentieth century is like the shattering return of the time machine of H.G. Wells. Did it all happen? Did they all really exist?*

Russia in Revolution—by Harrison E. Salisbury

arrison Salisbury's story of Russia from Czar to Stalin is rbingly told, but the fusion of photos and art is even more natic. Together, a powerful combination that makes this k a compelling one. (Holt, Rinehart & Winston, $18.95)

xcerpt: *Sex equality was a plank in the Bolshevik plat- . But Lenin was a prude and fought women colleagues like Alexandra Kollontai who spoke for a woman's right to choose her sexual partners as she pleased on the theory that love was "just a glass of water." Lenin did not believe in free love. Nonetheless one of the most effective propaganda claims against his regime was the contention that the Bolsheviks had "nationalized women."*

LIVING WITHOUT LAUGHING isn't living.

IS THERE ANYTHING SADDER than a laugh that's bitter?

THE TRADITIONAL WAYS AREN'T ENOUGH

By M.S. Forbes Jr.

The labor strife that is now threat- ening Britain's anti-inflation program not to mention the incumbent La- bour government) provides a useful lesson to America's own inflation fighters.

For three years, Britain has had an informal incomes policy somewhat akin to President Carter's wage and price guidelines. Until recently, over- all compliance was rather good.

Britain has also followed the ortho- dox anti-inflation program in other ways. The rapid growth in government spending and in the creation of money was slowed. The balance of payments was markedly improved. Foreign debt was restructured and reduced.

Result: Inflation was chopped from an annual rate of 25% to less than 9%.

But Britain's economic prospects are not healthy. Real growth has been— and will be—anything but robust. Cap- tal investment remains sluggish. And now all those painfully wrought gains against inflation are threatened.

The lesson here is that it isn't enough to fight inflation by the tradi- tional methods alone.

The real cure for inflation is healthy economic growth, and you are not going to achieve that if taxes are too high. The signal that the tax burden in Britain (as well as in the U.S.) is too heavy is the rise of the cash or "sub- terranean" economy. The British have lowered tax rates in recent years, but those cuts were insignificant.

Unfortunately in Britain, as in Wash- ington, paring income levies across the board is regarded as "inflationary." Our economic Pooh-Bahs have yet to recog- nize that general income tax cuts which match or exceed the rate of inflation would stimulate production and savings, as well as demand.

Unless new tax cuts are enacted this year or next, the President's pro- gram to cure our economic woes will ultimately fail.

A BAD PROPOSAL

California Governor Jerry Brown has endorsed the idea of a constitu- tional amendment to force Washing- ton to balance the federal budget. Such a call may be good politics in the post-Proposition 13 era, but no one should take the idea seriously.

One of the beauties of the Constitu- tion is its brevity. There is no need to clutter it with stuff like this. If people really want a balanced budget, Con- gress can give it to them under exist- ing law.

Anyway, is it wise to put ourselves in such a fiscal straitjacket? Should we have sharply reduced our efforts to fight Germany and Japan during World War II in order to balance our books? Is a balanced budget the best way to fight a recession or depres- sion? (That's what Hoover thought.)

Such an amendment would also have to tackle the question of exactly what constitutes federal spending. Congress already extensively uses loan guarantees, an indirect form of spending (or more accurately, of cap- ital allocation). The government also forces considerable spending through issuance of rules and regulations, and these outlays don't show up in the budget either.

And what about independent federal agencies, such as the Federal Home Loan Bank Board, that tap the finan- cial markets but whose activities are not reflected in the budget? This year the borrowings of these agencies will be two-thirds that of the federal gov- ernment itself.

Then there is the question of how a projected deficit would be financed. For instance, raising federal taxes from their currently too high levels would burden the economy even more, thereby guaranteeing bigger deficit problems in the future.

The end result of a Brown-like amendment would be a scramble to find loopholes that would cheapen the Constitution and reduce the respect for law in the way the 18th amend- ment and Prohibition did several de- cades ago. If Brown ever does make it to the White House, let us hope he treats this idea the way Carter did his vow to cut defense spending.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Early Death

Averell Harriman, 87, was in Moscow to visit the gravesite of former Soviet President Mikoyan, his old friend and rival, who died at the age of 82. "It was a great shock and disappointment to hear of his early death," said Harriman.

Red Railroading

Are you aware that the government could buy an airline ticket for every Amtrak passenger traveling between Chicago and Miami—simply give them free rides on an airline—and that this would cost less than the money the government pours into subsidizing Amtrak between Chicago and Miami?

—Frank Borman, chairman, Eastern Air Lines, *Nation's Business*

On Abandoning "Democratic" Taiwan

I am a graduate student who recently returned from 14 months study in Taiwan. I am surprised at the omission, in all the discussions of portentous consequences to Taiwan [of the U.S. decision to recognize Peking], of any analysis in the press of President Chiang Ching-kuo's decision to cancel the Dec. 22 provincial and national government elections in order to "avoid unrest." This election would have been unique in the history of the Republic of China, promising increased liberalization and political diversity in a government much too dominated by the ruling Kuomintang. The KMT has long suppressed all political opposition, citing the need for "unity to fight the Communist bandits."

Taiwan is economically very stable and prosperous and in a good position to begin rectifying its untenable international situation. Under the current government public discussion of the question warrants a life prison term. Rapid industrialization has also brought problems of social disruption and uneven distribution of wealth. Yet unions and strikes remain illegal.

Candidates such as Chen Ku-ying, former National Taiwan University professor (fired for protesting government policy in 1971); Huang Tien-fu and Chen Wan-chen, former reporters for the *Taiwan Times* (a widely read daily paper which the KMT purchased from its editors recently on condition that these and other reporters be fired); the very popular writers Wang Tuo and Yang Ching-chu, whose stories are about current social issues and the conditions of workers in Taiwan (the former's books have been suppressed), and many others were committed to liberalizing the government from within. Candidates such as these won resoundingly during last November's elections despite widespread evidence of Kuomintang harassment and vote fraud.

It is extremely ironic that cries in the U.S. of abandoning "democratic Taiwan" in favor of "Communist China" should coincide with what all Taiwanese surely see as just the most recent example of the Kuomintang's thinly veiled maneuvers to maintain its dictatorial control.

—Deborah S. Davison, Woodbridge, Conn., in a letter to the editor of *The New York Times*

Deathbed Question & Answer

On her deathbed Gertrude Stein was asked, "What is the answer?"—to which she replied, sensibly enough, "What is the question?"

—William McPherson, *Washington Post*

Cost-Consciousless Senate

The Senate has decided not to stop construction on its new nine-story office building, overriding protests by some members that the project is overly ostentatious and self-indulgent. After due deliberation, the majority decided that there is nothing out of the ordinary in a nine-story building to house only 50 senators, or the 16-foot-high ceilings, or the two bathrooms for each office, or the rooftop restaurant for exclusive Senate use, or the marble atrium, or the gym sium, or the indoor tennis court, And the price tag, which has escalate $135 million from the original 1974 mate of $48 million, still sounds rea able, too.

—*Wall Street Jou*

"We got the idea from the Postal Service—a BILL with no denomination on it!"

Official greeters never reali that people getting off an a plane want nothing more th an empty room and a bathtu

—David Den
New York magaz

Try "Sitting Down," To

WASHINGTON: The retiring chairm of the Senate Foreign Relations Comm tee said that Americans might h overrated the Soviet Union's streng and, consequently, demanded toug policies than necessary toward Mosc Senator John J. Sparkman, Democra Alabama, said that although the So Union was "exceptionally strong" a military power, economically and soc ly the nation exhibited "many of characteristics of a developing count Many Americans have assessed the S et Union only as a military power "have demanded of one President a another that the U.S. be prepared m tarily to 'stand up' to" the Soviet Uni Senator Sparkman said. "With a m accurate perception of the Soviet Uni Americans may demand of their Pr dents that they be as willing to 'sit do with the Russians as they have been 'stand up' to them," said Mr. Sparkm in the introduction to a book publish today by his committee.

—Associated Pr

Who Needs Suffering?

The only suffering in my childh occurred when I was 15 or 16 and I kn I wanted to be a writer. How lonely t was! There was nothing like majoring French or going to law school or medi school to look forward to; I had a terri sense of how different I was from all friends, and I didn't want to be differ at all. No kid wants to be different. learn to cultivate and make use of h "different" we are as we get older.

—John Irv

Who To Give Miranda?

The sex of *Miranda*, by Pamela Sa ers, is its least attractive aspect. All caresques from *Moll Flanders* to *Fear Flying* tend to grow repetitious; there few things to give the woman who l everyone.

—*Time* magazi

Wolfschmidt Vodka.
The spirit of the Czar lives on.

It was the time of "War and Peace." "The Nutcracker Suite." Of Tolstoy and Dostoevsky.

Yet in this age when legends lived, the Czar stood like a giant among men.

He could bend an iron bar on his bare knee. Crush a silver ruble with his fist. He had a thirst for life like no other man alive.

And his drink was the toast of St. Petersburg. Genuine Vodka.

Life has changed since the days of the Czar. Yet, Wolfschmidt Genuine Vodka is still made here to the same supreme standards which elevated it to special appointment to his Majesty the Czar and the Imperial Romanov Court.

Wolfschmidt Genuine Vodka. The spirit of the Czar lives on.

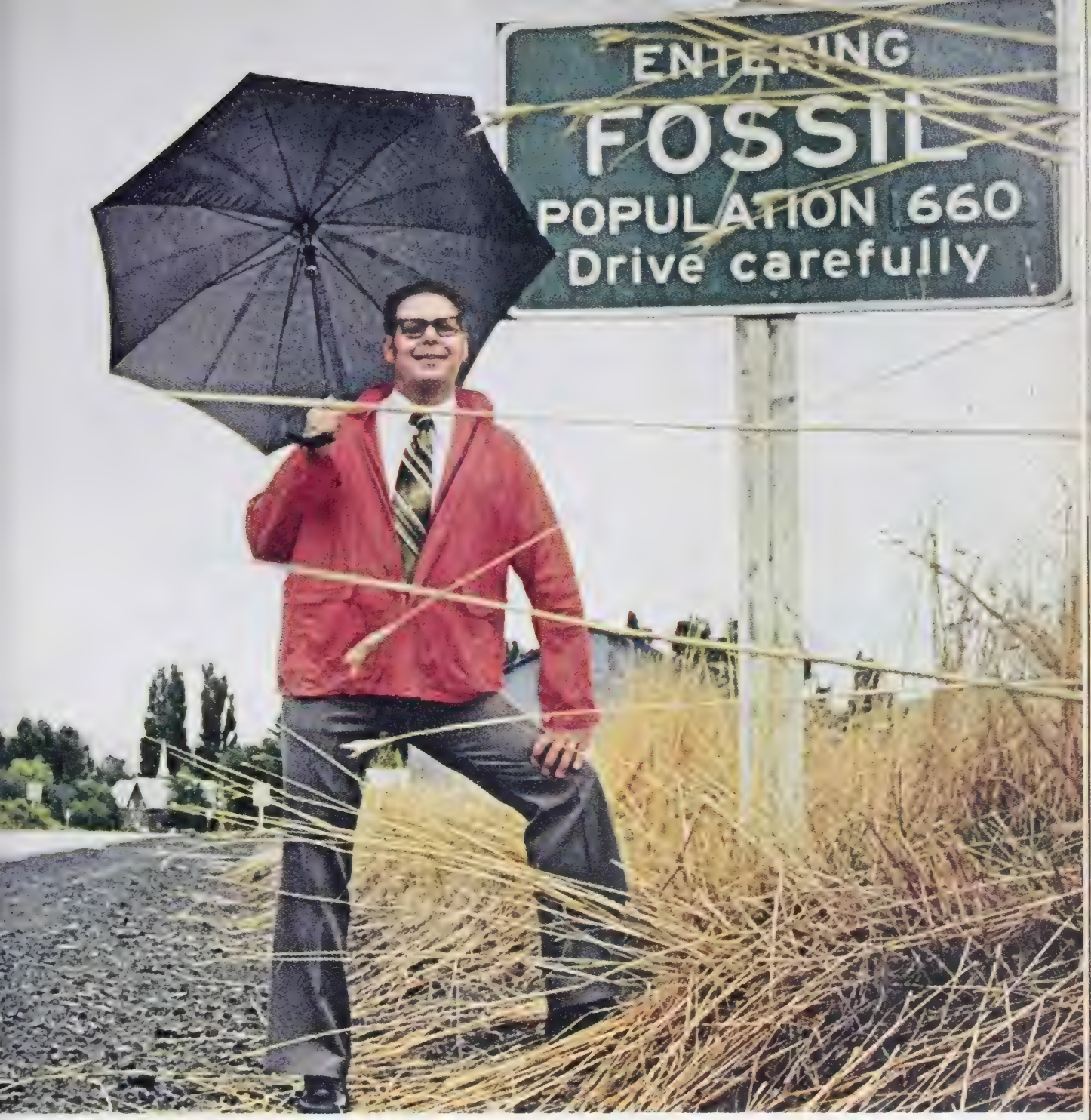
Wolfschmidt
Genuine Vodka

IBM customer engineers turn up in unli

Fossil, Oregon has a population of 660. IBM customer engineer Larry Wyatt remembers when they changed the sign, because he drives past it on his way to check the IBM equipment at the Fossil branch of the First National Bank of Oregon.

We stopped him only long enough to make a point – one that your company's data processing executive appreciates. Something the people at the First National Bank already know. Larry's calls are one of the reasons they can count on same IBM service in Fossil as in their main of in Portland.

Wherever our customer engineers turn they're never working alone. They have the sources of the IBM Field Engineering Divisio back them up. That's true whether the territor thousands of square miles of the Pacific Nor west, or a few floors of a metropolitan skyscra



places. Our customers like it that way.

ether the need is for Larry's skills, or for help
t's available when a customer's system is linked
elephone to specialists and equipment in one of
M's service centers across the country.

Service: it's just one of the elements that go along wherever your IBM system goes. And one of the ways we help make information useful – and help you make sure it stays available. Whether it's Presque Isle, Maine. Tyler, Texas. Downtown Fossil. Or midtown Manhattan.

The way we put it all together is what sets us apart.

IBM
Data Processing Division

"As admirable as the Riviera's roadability may be, the car's most outstanding aspect is its interior environment."

"...it is an excellent example of the capability of American design and technology..."

"...the Riviera S is well within the tradition that made the original Riviera a classic."

"The Riviera S offers luxury with taste, and performance with comfort."

"Throughout, the Riviera exhibited a high degree of workmanship and attention to detail."

"The turbo provides a smooth, progressive application of power that belies the engine's small size."

Motor Trend Magazine calls the Buick Riviera S The Car of the Year.

(We think you'll come to the same conclusion.)

BUICK

After all, life is to enjoy.

GM

nerican businessmen would be wise not to pect too much soon from trade with China.

The China trade: a note of caution

By Norman Pearlstine and Flora S.H. Ling

RAN AND CHINA are far apart politically, economically and culturally, but the problems that brought down the n are not so different from those that new leadership of China faces in the s ahead. In a sense it was *hubris* that ed the Shah's rule—an overweening idence in his ability to transform a on overnight. In exile the Shah will ler what he realized too late: that bers in a five-year or ten-year plan easily be manipulated; human beings not be so easily.

he new leadership in Peking hopes to sform a talented but desperately poor ntry into a superpower by the turn of century. If it goes too slowly, it risks ly keeping up with population th. If it goes too fast, it risks stirring ense forces that could bring it down. ter years of self-imposed isolation, na's present ruling group has taken a r risk. It has finally opened its doors he U.S., Japan and Europe. Hardly a passes without the announcement of ultibillion-dollar trade agreement, a on-dollar steel mill, a massive min- project or some other project involv- China and the outside world. In the year China has agreed to import t and equipment worth more than billion from Japan and the West. 's more than nine times the level ed to between 1972 and 1977. In the year alone executives from hundreds merican firms traveled to China; and he weeks since Sino-U.S. diplomatic ions were normalized, the U.S. Commerce Department has been receiving about 250 calls a day from persons wanting to do business there.

Chinese Vice Premier Teng Hsiao-ping
A preference for cats that catch mice.

Back in the 19th century English cotton spinners thought they could get rich if only they could convince the Chinese masses to lengthen their shirttails by just one inch. Today it's not much different. "Any nation of over 950 million people growing at the rate of 18 million individuals a year is a tremendous market," enthuses Chairman Donald Regan of Merrill Lynch, following a recent visit to Peking. But before charging off to sell the Chinese stocks, bonds or whatever, American businessmen would be wise to hold onto their own shirttails for a while. Although the pronouncements from Peking reek of conviction, there's a lot to suggest that the China boom could soon become a China bubble.

Politically what is going on in China is of tremendous importance. It creates, moreover, significant opportunities for some American firms—especially those about to export high-technology items such as computers, aircraft, oil-drilling and mining equipment, agricultural equipment and entire plants, not to mention commodities. China's post-Mao leadership seeks to make the nation an economic and military superpower by the year 2000 and is intent on creating a solid economic base by 1985. To that end Chinese Chairman Hua Kuo-feng, in an address to the National People's Congress last March, detailed plans for modernizing the country's agriculture, industry, national defense and science and technology.

The leadership goals are ambitious. Among other things China wants to increase agricultural production by 4% to 5% a year between now and 1985; to increase industrial output by at least 10% a year; and to double steel production from its present level to 60 million tons a year by 1985. Overall, 120 major projects, including 10 steel plants, 9 nonferrous metal complexes, 10 oil and gas fields, 30 power stations, 6 new railways, 5 harbors and 8 coal mines, are to be under way or completed by then. "Over the next five to eight years, China is going to look like one huge construction site," says Arne J. de Keijzer, a New York-based consultant on China trade.

To meet these goals China says it expects to spend a staggering $600 billion, or $75 billion a year, between now and 1985. The National Council for U.S.-China Trade estimates "conservatively" that $43 billion will be spent on foreign technology between now and then. If China indeed spends that $600 billion, Nai Ruenn Chen, a China analyst with the Commerce Department's East-West trade bureau, figures total imports will grow by at least 15% a year and will total at least $140 billion between 1978 and 1985. Between $70 billion and $85 billion will be capital goods. He further estimates that China's exports will grow between 10% and 12% a year and will total between $114 billion and $123 billion during the eight-year period. The resulting trade gap will have to be filled by tourism, overseas remittances and heavy borrowing from American and other foreign banks, he suggests.

But all this is mere number-shuffling. Achieving these goals on a human level will require superhuman discipline and lots of luck. The risks, too, are tremendous. The exposure to the freedoms of the West, the glimmers of hope for a better life, the tremendous churning of

people—all will put strains on a society that has been tightly controlled. All this *could* lead to the downfall of the present ruling group. It was not—after all—his authoritarianism that brought down the Shah, but the social turmoil brought on by rapid industrialization.

The principal architect of China's growth plans is Teng Hsiao-ping, a twice-purged, 74-year-old pragmatist who sidesteps many of Mao Tse-tung's most cherished ideals. "It doesn't matter whether the cat is black or white, so long as it catches mice," says Teng. To that end, he has espoused material incentives, the export of natural resources and the reintroduction of an elitist system of education and promotion in the bureaucracy, the factories and on the farms.

Not everyone in China, however, shares Teng's views. It was less than three years ago that Teng and his views were in disgrace. Nor is this the first time that China has looked abroad for assistance in modernizing its economy. When past efforts have failed, they have been followed by increased repression and xenophobia. Most recently, in the early 1970s, the Chinese tried to expand foreign trade and outside involvement only to be hit by the worldwide recession in 1974. Almost immediately all but a few negotiations for plant imports were terminated, and China pulled back into itself. About half the Chinese Politburo, including Chairman Hua, came to power during the period when Teng's pragmatic policies were out of favor. Teng has tried to assure continuity for his policies by negotiating long-term trade agreements with Japan and the West. But should he die, or should his policies fail any time soon, his opponents would be quick to try to close China's doors to the outside as fast as Teng opened them.

Can China make it? At the macro level, a plausible case can be made for saying yes. After all, the country, which is slightly larger than the U.S., has abundant, largely untapped, natural resources. Its proud, nationalistic people seem to be disciplined and hard-working and, at least for now, they seem to support the government's goals and the prescribed means for achieving them. China has little foreign debt—about $2 billion—and despite a relatively low level of foreign exchange—about $5 billion—American, Japanese and European bankers are salivating at the chance to lend it as much money as it wants.

But as is so often true with macro estimates, China's goals for 1985—especially for agriculture and oil exports—look less attainable when analyzed piece by piece. China cannot meet its goals unless it can make rapid progress on all fronts at once. But its infrastructure is hardly able to accommodate the present low level of industrialization. Recent visitors to the massive Wuhan Iron and Steel Works report, for example, that a severe shortage of electricity has kept modern additions to the plant from operating anywhere near capacity. Similar stories abound from other plant sites throughout the country.

Chinese goods being readied for export

A solid economic base by 1985? A superpower by the year 2000?

Foreigners and the Chinese themselves seem to suffer from a serious lack of information about the country's economy. Bureaucrats are hard-pressed to do more than guess about such basic things as the size of China's population—estimates range from about 900 million to more than 1 billion—and without such information, rational planning is very difficult. What is known is that despite its grandiose plans, China remains a very poor country. Its gross national product is less than that of France—which has about 5% of China's population. Its per-capita income is only one-third as great as Taiwan's. Despite a reduction in population growth to about 1.5% a year from earlier levels of 2.8%, annual population increases can often wipe out any increases in the production of gr

Agriculture then is not only the ke China's growth plans but is also the tor where success is most difficult achieve. It is often forgotten that ab 80% of China's population is still on farm and that most farming is still v primitive. Experts today mostly a that you cannot have balanced econo development without an agricultural plus sufficient to feed a growing arm industrial workers; witness Russia's perpetual labor shortages. Develop economies cannot afford to import b machinery *and* food.

China wants to produce 400 mil tons of grain a year by 1985, up 4 from 1977 production. To do so, how er, annual production must rise by ab 4.5%—a very ambitious target consi ing that grain production increased only 2.8% a year between 1949 and 1 and by 2.4% a year in the 1970-76 per China claims 1978 grain production 3.5% above 1977 levels, but that's marily because production decreased 1977. In the meantime, China is imp ing more than $1 billion a year of gr using foreign exchange which might erwise help pay for industrial devel ment. "If results fall considerably sh of China's goals for agriculture, say recent U.S. Commerce Department port, the outlook for China's efforts modernize its economy "will be dim.

If agriculture is the key to dome development, then oil is the key to ports. But a close look at China's production indicates it is unlikely to come a major exporter of crude any t soon. Chairman Hua has said that Ch wants to develop ten oil and gas fie the size of its prime Taching field. A lysts say Taching yielded 43 million m ric tons of oil in 1976, suggesting that Chinese want to be producing about million metric tons annually, or abou million barrels a day, by 1985. Many U oilmen think China will be lucky if it reach that level of production by 19 Although China's oil reserves have b compared to those of Kuwait or Sa Arabia, they are really more like thos the U.S.—spread out across the coun in many different fields, some of wh are very difficult to explore. The m promising areas are offshore, but ma of them are in waters that are a claimed by China's neighbors. In a case, it will take many years and a lo money to develop its offshore reserve

China hasn't indicated how much it intends to export, perhaps because doesn't know how much will be left at meeting the country's increasing dom tic needs. But there are tradeoffs her as Mexico realizes (FORBES, *Jan. 22*). T faster you develop domestic industry, more oil you will need at home; by same token, a higher level of oil exp means less energy for domestic u

eover, while China's oil production by more than 20% a year between and 1975, it has recently been ing at only 10% to 12% a year. rt W. Scott, who edits the authorita trade magazine *World Oil* and who tly led a group of U.S. oilmen to a, says that "producing areas cur y responsible for perhaps two-thirds China's oil output—Taching and gli—appear to be approaching ma stages of life. Both already produce derable volumes of water, geology is lex and individual reservoirs are in ed to be relatively small."

sides its agriculture and oil prob China is also plagued by a shortage ined managers and scientists. With hem China may not be able to ab the foreign technology it seeks to ase or the funds it wants to borrow. to push the analogy too far, Iran, with a similar problem, brought in of thousands of foreign technicians, n turn led to domestic resentment n helped destroy the Shah's rule. tists and would-be scientists were r banished to agricultural com s or denied higher education during Cultural Revolution of the 1960s. a is trying to remedy this shortage nding thousands of students abroad, will be many years before they are to take charge of major projects. In neantime, the country is finding it to get some of the scientists who shunned in the 1960s to return to boratories. According to a report in espected Chinese publication, thou of scientists now holding menial don't want to return to their old either because they fear criticism local officials or because they are ed that another change in political ol could open the door to renewed sment of intellectuals.

ose U.S. firms that do have a ce to sign major deals may still find rd to do business, despite the Chi desire for more trade. Although the ese are agreeing to some deals— ding recent transactions involving s, a steel mill and some oil rigs— quickly than usual, many traders complain that most negotiations n arduous and that terms are still Firms boasting advanced technolo ay also express some concern that a has no patent law. Other traders lain that standard Chinese pur contracts include penalty clauses te shipment while standard Chi *sales* contracts contain no such es. The Chinese further insist on inspection of purchases *and* sales. *force majeure* usually includes of God," strikes or government vention, it doesn't when selling to a. The Chinese also try to avoid ation whenever possible, prefer nstead to settle any disagreements by means of "friendly discussions."

Teng Hsiao-ping's visit to America, scheduled to begin in late January, and follow-up visits by Treasury Secretary Blumenthal and Commerce Secretary Kreps may solve certain technical problems. Among these is the dispute over sequestered Chinese assets in the U.S. and sequestered U.S. assets in China—both dating back to the Chinese intervention in the Korean War. As long as this dispute is not settled, U.S. claimants can threaten to attach Chinese ships or airplanes and block Chinese trade shows. Yet other problems are China's lack of most-favored-nation status, its inability to get Export-Import Bank credits and the Pentagon's refusal to let the American firms sell weapons directly to China. The U.S. and China are likely to sign a bilateral trade agreement and to settle many of these problems during 1979.

Even if these matters are cleared up, however, increases in trade between the U.S. and China may be more gradual than many businessmen expect. Walter Hoadley, the Bank of America's chief economist, notes, for example, that the Chinese want many of the same goods that other trading partners are seeking—and in some cases these goods are in short supply. "We're already sold out in electronics, high technology, aerospace," he asserts. While "the potential for trade with China is enormous," it may take years to iron out problems and arrange financing, he adds. Don't be dazzled, either, by the announcement that Coca-Cola will soon be for sale in China; that deal was made chiefly for its publicity value, and the soft drink will mainly be sold to those foreign tourists the Chinese hope to attract. Although Pierre Cardin has been named a fashion coordinator for China, those consumer shirttails aren't likely to get longer any time soon.

In dealing with China, it is well to remember the old saw: There are no real China experts, only varying degrees of ignorance. To put it another way: Almost anything can happen in China—and probably will. ■

Polaroid and Kodak are slugging it out in instant photography, and—surprise—both of them seem to be winning. Meanwhile, back in 35mm territory. . . .

Bedlam in photoland

By James O'Hanlon

IN THE NEARLY $10 billion U.S. photography business it was billed as the fight of the century between two famous champs, and the crowd has been on its feet since the introductions. Quite a match. Heavyweight Eastman Kodak Co. (revenues: $6.8 billion) taking on nonpareil Polaroid Corp. (revenues: $1.4 billion).

At the bell two years ago Kodak moved to the center of the ring with its mass-marketed instant camera, The Handle, retailing at a low $40, while Polaroid stabbed away with its SX-70 standard-bearer, the Pronto!, at a much higher price. In round two Polaroid came out with its $40 OneStep, before Kodak dropped a nifty $6 rebate into the champ's gut and the two contestants wound up mixing it in nonstop action with prices falling as low as $20 for some older-type Polaroids.

The wise guys in the expensive chairs and the press boys marveled at the action. A lot of them were conceding Kodak points for sharper pictures, but Polaroid was hitting hard on prime-time TV, spending $8 million on those crowd-pleasing James Garner ads, and Kodak was stunned by reports that its instant pictures faded in sunlight.

By the end of 1978, both contestants were looking stronger than ever. Cambridge, Mass.-based Polaroid now has only 65% of the instant camera market instead of 100%, but in two years it has increased shipments from 6.3 million units a year to nearly 10 million. Be-

tween them, according to estimates by Merrill Lynch analyst Brenda Lee Landry, Kodak and Polaroid have raised the overall annual market for instant cameras from 7.4 million units to about 15 million since the end of 1976. That would put today's instant photography market (including film) at $1.7 billion, more than double its size in 1975.

Even without knocking Polaroid out of the ring, as a lot of people assumed it would, Kodak has cut itself out a 35% share of an expanding market and will begin to profit from its instant project early in 1979 after losing about 50 cents a share on it just two years ago. In fact, the Rochester, N.Y. giant is looking good again, thanks to an upswing in almost all facets of the photography business. With estimated earnings of $850 million, or $5.25 per share, on $6.8 billion sales expected for 1978, Kodak has moved out of the doldrums that caused five years of flat earnings, culminating in $3.99 per share on sales of $6 billion in 1977.

Polaroid, meanwhile, spent a good part of last year allocating tight supplies of its instant cameras to dealers. Still, it wound up the year with an estimated 40% earnings increase to $3.90 per share on sales of close to $1.4 billion, up from $1.1 billion in 1977.

How long can the tremendous growth in the U.S. instant camera market continue? Some analysts expect a peak this year, but 45% of all still cameras sold to amateurs here last year were instants—up from 25% in 1975—and many see no end in sight yet. Kodak pins the boom on the postwar baby bubble moving into the 25-to-40 family-forming age. Both companies seem to have Polaroid's well-spent $34 million U.S. ad budget going for them; Kodak has dropped the agency doing its instant network ads, probably because they seemed decidedly ineffective next to Polaroid's. One theory is that customers stimulated by Polaroid's ads went shopping for the frequently out-of-stock OneStep and got steered by savvy salesmen to Kodak's Handle. Says Kodak's general manager for consumer marketing, John R. Robertson: "The ruboff obviously works both ways."

Kodak's latest instant, Colorburst 300
Challenging Polaroid's OneStep.

A Fotomat film processing drive-in on a Manhattan street
Waiting for further developments now that U.S. amateurs are going 35mm.

For all the ambiguities of the instant camera war/boom there have been some clear-cut winners and losers on the edge of the fray. Growth of conventional cameras was surprisingly strong at about 10%, but most of it has gone to expensive 35mm single-lens reflex cameras instead of the much cheaper Instamatic-type 110 cameras. In two years, sales of Japanese-made, fully automated 35mm cameras have doubled, bringing shipments here from Japan to an estimated 2.4 million units and making the U.S. the world's biggest 35mm market—up from third best (after Europe and Japan) just two years ago.

The leading domestic 35mm manufacturer-marketer is Canon Inc., a $1 billion Japanese manufacturer of calculators and photography equipment that gets 67% of its U.S. sales from cameras. Canon was behind Minolta, Olympus and Pentax, all Japanese, four years ago, but spent its way to the top for its quality cameras through an expensive prime-time TV campaign here. With engaging Australian tennis ace John Newcombe explaining to a complex-camera-shy American public how easy 35mm picture-taking had become, thanks to automatic features, the Canon AE-1, according to one survey, was requested by over 50% of 35mm, single lens reflex shoppers by the end of 1977.

The AE-1 lists for about $450 but usually sells for only $279 in large metropolitan areas—only a 10% margin for the dealers. But, says one industry execut "The stores make their profit on ac sories like $150 wide-angle lenses, t photo lenses and gadget bags."

Of course, any boom in 35mm pho raphy is also a boon to the omnipres Kodak, which makes the film and sh its processing, along with the proces of 110 Instamatic-type film, the big segment of the market, with indep dents like Fotomat Corp. With so m activity there's got to be at least one guy. Sure enough, there is Fotomat (e mated 1978 sales: $197 million) some hapless beer hawker getting c bered in a balcony brawl. After grow rapidly through the Seventies Foto came to a virtual profit standstill in 1 when its net income leveled out (des 18% higher revenues) at $9.9 million $1.18 per share. The minimum wage crease raised its costs for the part-tim who run its drive-in kiosks, and it run into tough recent competition f discount chains like K mart and W green. The low-overhead discounters taking 110 processing prices to dep where Fotomat can't profitably follow

That leaves the public's romance w instant photography and 35mm cam as the only problem that Fotomat mi be able to correct. Says CEO Richard Irwin: "We've emphasized Instam finishing for so long in our advertis and marketing that the guy tak 35mm pictures doesn't think of us our service." So Irwin is starting a n keting program including spot TV ad convince the U.S. public, which too billion pictures last year. With 3,500 lets, Fotomat ought to be able to g better chunk of that market. Just in that doesn't help, Fotomat will soon s to peddle prerecorded videotape settes for that growing army of videot recorder users. ■

eing will be sharing a lot of wealth over the xt decade. It will be sharing more often h small companies than with large ones.

The Boeing bonanza

By John Merwin

ED SCHRADER, machine shop supervisor in Newbury Park, Calif., says until last year he and his wife had struggling financially, not unusual iddle-class Americans. But all of hanged in 1978. Schrader's employ- 5 years, the Talley Corp., suddenly wamped with orders from its aero- customers, especially from the g Co. Talley's backlog rose $1 mil- week in November. At year's end, od at $18 million, nearly double it had been 18 months before. ent Jim Talley says his family any's backlog will hit $25 million inter, and sales, which gained 40% ear, should increase about 30% for l more years.

nwhile Schrader is working 50 hours a week and last year picked up an extra $8,000 in overtime. He finally managed to purchase new furniture and carpeting for his two-bedroom condo in Port Hueneme, Calif. This year Schrader, 35, say he will deposit his overtime earnings in a now sizable savings account—"something I've never had before."

Schrader and Talley are two small examples of a million aerospace workers and hundreds of U.S. aerospace companies, large and small, being swept along by a financial tide rolling forth from Seattle's Boeing Co. Last year Boeing announced orders for 490 commercial jets valued at more than $11 billion, easily smashing the 1965 record of 418.

Boeing's prosperity is particularly apparent on the West Coast, home to an estimated 42% of America's aerospace workers. In the Seattle area alone Boeing's employment will reach 75,000 by late this year, up from 52,600 at year-end 1977. However, the real bonanza isn't so much with Boeing as it is with its subcontractors. Although Boeing coordinates, designs and assembles the 747 aircraft in its Everett, Wash. facilities, only two major structural parts, the nose and the wings, are produced by Boeing itself. Boeing buys most of its 747 components, perhaps $25 million for each aircraft, from 1,500 major subcontractors and thousands more minor ones from Boston to San Diego. Purchases include big-ticket items such as the $3 million main fuselage section, produced by California's Northrop Corp., and relatively inexpensive items, such as the 2.4 million rivets and bolts that hold a 747 together. In between are thousands of items, including landing gears, navigational equipment, lightning rods—even the 747's $30,000 worth of restrooms.

For the next several years Boeing's 747 jumbo jet sales ($4 billion last year) will give the principal lift to the Boeing bonanza. (Profits from subcontracts on the 177-passenger 757 program and the 208-passenger 767 program won't appear for several years, but many of the traditional Boeing subcontractors will be involved.) Not only is the dollar volume of 747 subcontracts enormous, the quality of the business is excellent. Most subcontractors have been stamping out 747 parts for years. Thus their design and engineering costs are behind them. Tooling expenses are minimal.

In sheer dollars, the largest 747 American subcontractors are corporate giants such as Rockwell, LTV, United Technologies and Northrop. Boeing's business represents a relatively small part of these companies' bottom lines. The Vought Corp. subsidiary of LTV, for instance, produces a $1.1 million tail section for Boeing. But Vought has been contributing only 10% of LTV's sales and will contribute even less now that LTV has merged with Lykes Corp.

Smaller, less diverse companies will benefit more dramatically from the 747 orders. But which ones?

Two such companies are Rohr Industries, Inc. and Aeronca Inc. Rohr, located in the San Diego area, manufactures the engine pods and struts which cover the 747's engines and attach them to the aircraft's wings. Currently 37% of Rohr's sales are going to Boeing. In the year ended Oct. 29, 1978 Rohr's backlog rose 38% to $511 million before Boeing announced its intention to give Rohr a $218 million order. Rohr doesn't know if Boeing intends to use Rohr pods and struts on the 757 or 767, due to roll off assembly lines in three or four years. If Boeing doesn't choose to produce them itself, Rohr is the likely winner.

Aeronca Inc., a moderate-sized aerospace company, is about as dependent on

Boeing as any subcontractor around. In good times that means skyrocketing sales and earnings for Aeronca. Aeronca Executive Vice President and Treasurer J.L. Miller estimates as much as 40% of the company's sales this year (engine and wing parts manufactured in Middletown, Ohio) will wind up in the 747. Last June Boeing placed a $42.5 million order with Aeronca, doubling the company's backlog and leading Crowell Weedon's John Simon to estimate 1979 earnings at $1.50 per share, including a 75-cent tax-loss carryforward. But the company's future with Boeing beyond the 747 is unclear. Already a Japanese consortium is slated to produce wing ribs for the 767, one of Aeronca's three major 747 products. Like most other potential subcontractors, Aeronca hasn't received word on its other 757 or 767 propos

One of the most impressive share the Boeing bonanza is going to Pneu Corp., owner of Cleveland Pneum Co., one of the country's largest land gear manufacturers. Pneumo had a v poor 1978—company officials estim $2.20 per share compared with 19 $3.30. But since last February its back has risen from $360 million to over $ million. Unlike Aeronca, moreo Pneumo recently received a Boeing order, and it's a beaut—for 300 set landing gears thought to be worth v over $1 billion spread between 1980 1985. Donaldson, Lufkin & Jenrette a lyst Lloyd Kanev believes Pneumo's will more than double in two years $4.75 a share. Pneumo Chairman Ge A. Fulham says one of Pneumo's p lems right now is finding enough ski workers in Cleveland to produce landing gears.

The most common item bought Boeing is a "fastener," a bolt or a ri Boeing buys specialized fasteners fr many different producers, but the most likely to benefit significantly fr Boeing's 1978 surge of orders are Corp., based in the Los Angeles area, Hi-Shear Industries, headquartered Long Island. About 30% of VSI's sales aerospace-related, with Boeing bein major customer. By Sept. 30, 1978, V aerospace backlog had tripled over previous year's total. Hi-Shear's a space backlog rose 50% during the months ending Nov. 30, 1978, and e ings have risen sharply since mid-197

About 20% of a Boeing aircraft's p is in the engines, which generally manufactured by United Technolog Pratt & Whitney Aircraft or by the craft Engine group of General Elect Neither United Technologies nor GE be sharply affected by Boeing alone, smaller companies selling engine part Pratt & Whitney or GE will.

One of the most important eng parts suppliers is Wyman-Gordon C Worcester, Mass. producer of forged gine parts. Wyman-Gordon's comm cial transportation division backlog g 34% this summer, before Boeing ceived many of the big orders. Precis Castparts Corp. of Portland, Ore. c jet engine parts and sells a large shar them to both Pratt & Whitney and The company's backlog grew 76% du the eight months ending last Novem Last summer Precision's work f grew so rapidly that margins drop nearly in half and earnings dipped sh ly. "Our new people are becoming be trained and we've added more spa says Chairman E.H. Cooley. "Precisi margins have improved since last su mer." Sutro & Co. analyst Kenn Golden estimates Precision will e $2.50 a share in fiscal 1980, a sharp crease over 1978's $1.20.

Custom Products partner Dan Davis in his Boeing 707 mock-up

Chic airplanes for presidents, kings and sheikhs

What self-respecting king wants a common seat in his personal 707 or 747? To whom can a king—or a prince, sheikh or elected head of state—turn for private bedrooms, vanities, conference tables, lounges or even a throne? Enter Custom Products of Sun Valley, Calif.

Since three partners set up Custom Products in 1963, it has catered to the whims of airborne aristocrats. In the late 1960s Custom began outfitting personal 707s and, later, 747s with almost anything a royal heart desires. Business has been good.

Boeing today has so much commercial business that it no longer encourages such special orders, but about 50% of Custom's business is still Boeing related. Custom Products works with other companies that secure used Boeing aircraft and sell them to the carriage trade. Custom's backlog, including regular Boeing orders for 747 lounge and crew seats, rose 76% last year to $5.3 million.

Customers come from almost anywhere, including the South Pacific Republic of Nauru, rich from guano sales. Partner Dan Davis says the most posh interiors have been ordered, predictably, by Middle East heads of state, especially from Iran, Saudi Arabia and Libya. Some have ordered gold-plated bathroom fixtures and several have ordered thrones; the president of Zaïre paid $3,000 for a white leather airborne throne.

The simplest interiors have been ordered for the Canadian Prime Minister's 707 and for several Air Force Ones. But plainness can be deceptive. "LBJ's plane was filled with push buttons and gadgets," Davis recalls. "He was really a gadget man."

Even well-heeled presold customers in the showroom, however, are not easy to please. Davis recalls the visit of a delegation representing an African head of state. "We *must* have Imperial Red carpet," they told Davis, who had no idea what red that might be. "After showing them a lot of red samples, I finally turned one over and scribbled 'Imperial Red' on the back. I showed it to them and they said, 'Oh, yes, that's it!' " Another satisfied emperor. **—J.M.**

ere is one special situation worth
attention in the Boeing bonanza—
itanium business. After aluminum
steel, titanium is the most common-
ed metal in commercial aircraft. But
ke aluminum and steel, the titanium
ket has relatively few producers. The
hat exist are producing at full speed.
ne sizable independent titanium pro-
r, Oregon Metallurgical Corp., with
ations in Albany, Ore., is sold out
early 1980. President H.F. Peters
nates that about 25% of his sales
tually wind up in a Boeing aircraft.
nother producer, Titanium Metals
. of America, is 50% owned by
burgh-based Allegheny Ludlum In-
ies, Inc. In the first three quarters of
Allegheny earned just 2.1% on
, but about one-fourth of its net from
nuing operations was from Titan-
Metals, one of the two largest titan-
producers. Allegheny's stake in
ng's prosperity is doubled by a sub-
ry, Special Metals, which makes al-
et engine parts. Although Allegheny
um itself has struggled for the last
years, these two parts of Allegheny,
ably headed for hefty earnings in-
es, could make a major difference in
arent company's profits.
with almost any boom, the Boeing
nza isn't without headaches. Some
e specialty steel manufacturers are
ied—for good reason—about sup-
of cobalt, a key alloy in jet engine
; 70% of the world's cobalt supply
es from strife-torn Zaïre.
e most urgent problem is wide-
d severe labor shortages, particular-
Southern California. Scott Avi-
-Sierra Products, which sells oxygen
s and hoses to Boeing, is struggling
nd enough manpower in suburban
Angeles to fill its orders. In 1977 it
tted two 747s a month. Now,
ng has asked if it could outfit ten a
h. Scott is offering its employees
bonuses to recruit machinists.
Talley Corp., Jim Talley started giv-
utomatic 5% raises each six months
nerit raises on top of that. He still
find enough machinists, assem-
or inspectors, not to mention quali-
engineers. "We've bought $400,000
n of automated machinery recently
rdered $300,000 more," Talley says.
if a guy walks in that door right
and says, 'I'm a Class A machinist,'
y, 'Fine, when can you start?' "
eing itself is hard up, especially for
neers. Recently Boeing Commercial
ane Co. President E.H. "Tex" Bul-
wrote about 40 potential major sub-
actors asking for engineering help
attle to work on its 757 and 767
ams, even before Boeing lets sub-
acts. For various reasons, including
will, most potential subcontractors,
g up for a piece of the Boeing bonan-
e sending a few engineers. ■

Why did Grumman Corp. sell its crown jewel? Partly because it couldn't afford the cost of keeping it.

Grumman: one d . . . d thing after another

BETHPAGE, N.Y.'s Grumman Corp. seems the Job of the aircraft industry, continuously plagued by bad luck. Listen to this catalog of woes:

Its current boss, Chairman John C. Bierwirth, a financial man, came to the company from National Distillers & Chemical Corp. because the former chairman, Llewellyn Evans, died suddenly of a heart attack in 1972.

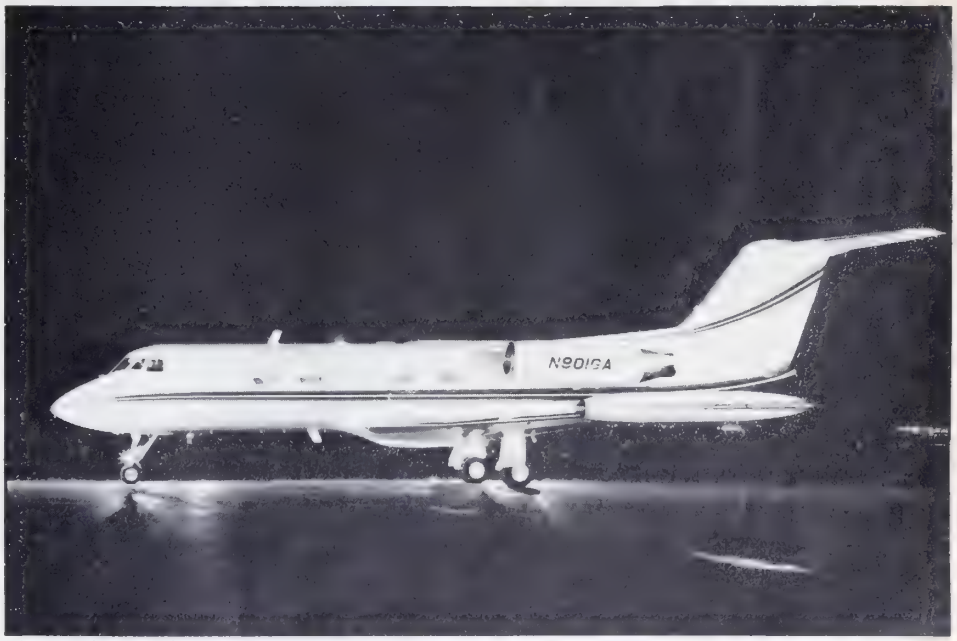
Grumman was hard hit with overseas payoff scandals.

Iran, the only foreign customer for its F-14 fighter plane, is collapsing.

Yet another setback passed almost unnoticed last year. This is what happened: Grumman sold Grumman American Aviation, its subsidiary that makes commercial aircraft, including the Gulfstream business jet. Normally, Grumman American accounted for only about 9% of Grumman's sales but twice that amount of its earnings. Grumman American was the most profitable subsidiary (pretax margin: 6.6%) and its chief diversification outside military aircraft. Why did Grumman let it go?

It all began, Jack Bierwirth explains, not long after he took over. "I'd been around a couple of days," he says, "when somebody gave me a file that had belonged to Lew Evans. In it, he concluded that we should acquire a small Ohio commercial airplanemaker called American Aviation and put it together with the Gulfstream II and the Ag-Cat crop-dusting planes we also built."

Bierwirth gave the go-ahead, and Grumman in 1973 bought the $5.7 million (sales) American Aviation and its line of light, inexpensive aircraft. Along with the company, Grumman got an $11.2 million tax-loss carryforward and a chief executive, Russell W. Meyer Jr.



The Gulfstream business jet

The Cadillac of general aviation is flying for a new owner.

What Grumman also got and wishes it hadn't was a group of partners. The old owners of American Aviation weren't interested in cash; they wanted stock. For combining their $4.8 million in assets with Grumman's $28 million they ended up with 20% of the new subsidiary's stock plus warrants to buy another 23% in 1977 or 1978 for $3.7 million. Why would Grumman give up so much? The tax-loss carryforward, says Bierwirth: "It created a $4.3 million Grumman tax benefit."

That was an expensive benefit. It set in motion a chain of events that would make it impossible for Grumman to keep the Gulfstream.

Grumman's new partners were three strong-minded men: Cleveland Browns owner Arthur Modell; David S. Ingalls Jr. of Cleveland and Duane Stranahan Jr. of the Champion Spark Plug family. There were 250 other stockholders, but these were the ones who counted.

Conflicts developed almost immediately. Meyer had been a CEO; now he felt like a division manager, compelled to clear everything with Grumman's Bethpage headquarters. In 1974 he left for Cessna, where he is now chairman, and Bierwirth replaced him with Corwin (Corky) Meyer—no relation—and a longtime Grumman man.

The minority shareholders were furious. "When Russ left," says Ingalls, "is when all the agitation started." With their man gone, Grumman's partners wanted greater say in running the company. When Bierwirth balked, the outside partners pressed to get out. Grumman's idea of a reasonable price was about $5 a share. The partners wanted $10—or $20 million in all.

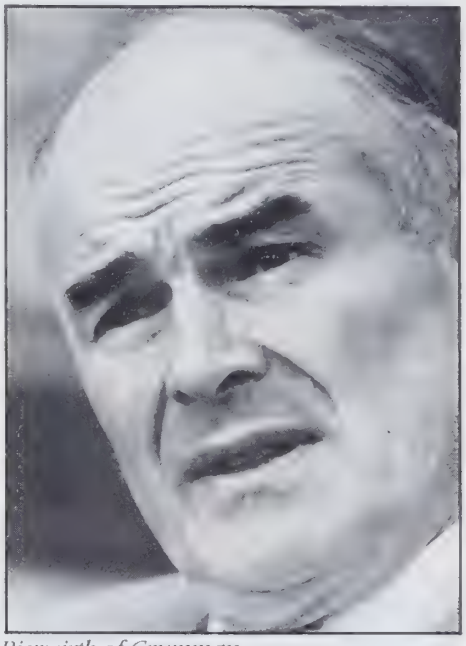
The conflicts festered for three years. Modell, Ingalls and Stranahan wanted to bring in outside bidders on the expensive development program for the new Gulfstream III, or alternately a consulting firm to be sure Grumman wasn't overcharging the subsidiary for engineering. (Meanwhile, G-III's development costs doubled over original estimates to $150 million and in the end its design was scrapped and replaced by what amounts to a modification of the G-II.) When the Securities & Exchange Commission began investigating Grumman's overseas payments on the Gulfstream (among other things) in 1976, Grumman did not, to the minority's further irritation, keep them well informed.

Bierwirth had some big gripes of his own. American Aviation's own light aircraft line—the planes for which he had saddled himself with these troublesome partners—had never made a profit, and has not to this day.

At the partners' behest, the two sides met at the Waldorf-Astoria in New York during a howling blizzard last February to try to resolve their differences. Modell, Stranahan and Ingalls demanded that Grumman either buy them out for $8.50 a share—$17 million—or agree to fire Corky Meyer and make the subsidiary more autonomous, with more outside directors and its own audit committee. They were prepared to sue if Grumman didn't go along.

Grumman capitulated. Two months later, Corky Meyer was out. But on July 18, with the search for a new CEO in progress, Grumman announced it would sell its 80% of Grumman American to American Jet Industries, a $35 million (revenues), privately owned general-aviation overhaul concern in Van Nuys, Calif. The price: $35.5 million in cash and nonconvertible preferred stock; and an estimated $15 million-plus in sales commissions on the first 200 Gulfstreams sold; plus a $34 million development contract. Stunned, Ingalls, Stranahan and Modell sold too.

Why did Grumman sell? Says Bierwirth: "We were caught in an impossible squeeze."



Bierwirth of Grumman
"We'll be all right, if. . . ."

Part of the squeeze seems to be that the price of keeping the Gulfstream was too much for Grumman. In January of last year, a month before the showdown meeting at the Waldorf-Astoria, Grumman had acquired Rohr Industries' Flxible bus subsidiary for $55 million in cash, most of it borrowed. Several months later its long-term debt had climbed to 87% of equity. Net working capital had fallen from $243 million in 1975 to $164 million. Cash flow was running at an annual rate of about $45 million—for a $1.5 billion company. Could it afford the capital its subsidiary needed?

Some analysts think the Gulfstream line had become an albatross. So far, R&D on the G-III, as it stands, is tagged at $43 million—but could be considerably higher, says Wolfgang Demisch, vice president at Smith Barney, Harris Upham. That's for a product which will have to fight for market share against new competitors like Canada's Canadair Challenger and Dassault's Falcon 50.

Ingalls, Stranahan and Modell divvied about $12 million among them, at best not much more than recouping their original investment.

Grumman American and its new owner, Allen Paulson, a former TWA flight engineer, may or may not have gotten a bargain. Gulfstream adds immediate status to his American Jet and gives it the Grumman American plant in Savannah, Ga. in which to build a new, small turboprop/turbofan twin, the Hustler (which American Jet was making in Van Nuys). Paulson has orders for more than 40 G-IIIs with all the trimmings, at $3 million apiece, for delivery beginning in March 1980. Overnight, the buyout made his company a $200 million (sales) operation (about half the size of Beech, one-third as large as Cessna); and he says his goal is to double again in five years. Time will tell.

Bierwirth is left with some temporary relief—some analysts calculate that removing the R&D burden of the G-III alone will mean $1 a share in earnings this year. But he has lost Grumman's most profitable subsidiary and all its immediate hopes of building a good business in the booming general-aviation market. "We'll be all right if our other diversifications pay off," he says. So far most of them haven't. They include buses, containers, yachts, canoes, ambulances, solar heaters and fire hose nozzles. Only one—electronic data processing services—is in the black. But, says Bierwirth, "in one or two years things will look better." He anticipates big gains from his containers for perishables and the Flxible bus division.

Bierwirth insists that giving up Grumman American was a sound business decision. Says he: "We really don't feel we've lost the Gulfstream. After the G-III there'll be a G-IV and we hope to get contracts to develop that. All in all, we're content with the new situation. It makes our souls happy."

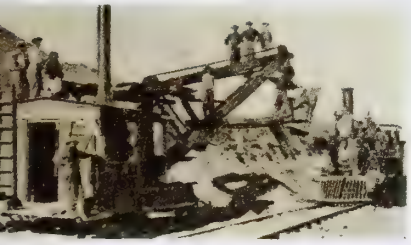
But all of this leaves Grumman a company in search of a future. Its principal product, the F-14, is on a falling curve. It delivered 56 F-14s last year, down from 72 in 1977, and by 1980 deliveries will drop to 36. Any new Iranian order seems out of the question. Earnings last year dropped about 24% from 1977's $3.5 fully diluted. Prospects for this year? Uncertain. At best Grumman can hope to offset the continued deterioration of its F-14 business only if its diversification proves itself. But Grumman's chance of becoming a significant competitor in the booming business of general aviation seems gone forever. ■

GREAT BUILDERS OF AMERICA

ay 10, 1869: A day of national jubilation. East meets West in the famous "Golden Spike" ceremony at Promontory, Utah.

Ever since the railroads opened up the West in 1869, hey've kept America growing. And there's still more to be done.

When the West's Central Pacific met the East's Union Pacific, he news was telegraphed instantly roughout America. Our first trans-



he Great Builders at work on the new railroad.

ontinental railroad was ready. And he nation could now expand westward.

With the driving of the Golden pike, America's railroads literally ecame the lifeline of our nation. nd helped develop U.S. commerce nd industry to the heights we enjoy oday.

Let's help the railroads build for the future.

or years, our railroads have met rowing freight demands smoothly. ut, in the future, these demands are ound to explode as the U.S. focuses n energy conservation.

To increase freight volume sigificantly, a number of steps must be aken soon. One is to relieve the railroads of government overregulation, as was suggested recently by the U.S. Secretary of Transportation. Another is to offer financial incentives for rebuilding and maintaining roadbeds wherever necessary. Which would serve the interests of national defense as well as commerce.

At ☆LONESTAR, we have the technology and capacity to help this country build its great projects.

Throughout history, America's important building projects have contributed to the growth and prosperity of our country. ☆LONESTAR believes it's time for more, and we believe we can help.

Of all the energy consumed by transportation, the railroads use only 3%.

☆LONESTAR is America's leading cement company and the cement industry's leading innovator. For example, ☆LONESTAR technology is helping energy producers in the development of new gas and oil fields. By using our highly sophisticated cement products, producers can now drill deeper and more efficiently than ever before.

☆LONESTAR—a thriving builder of America.

Besides being first in cement, ☆LONESTAR is one of the biggest and most successful building materials suppliers. In lumber, aggregate, and ready-mix concrete for construction. In home care centers for the do-it-yourselfer. Lone Star Industries, Inc., One Greenwich Plaza, Greenwich, Conn. 06830. An exciting company. A thriving company.

High-strength ☆LONESTAR cement is used in many of the nation's railroad structures.

A great American builder.

☆LONESTAR

A motor car of the years has a way of defying the passage of time.

Yesterday, today and tomorrow often appear to be separate worlds. But to the engineers and artisans of Rolls-Royce, they are forever intertwined.

It is in their marrow to revere the past, relish the present and welcome the future all at once, because the driving force behind a Rolls™ is not merely to come and go, but to go on and on.

Consider the Silver Wraith II.

The heritage of this motor car goes back to the original Rolls-Royce Wraith of 1952 and beyond. The evidence is everywhere, from the graceful lines of the steel monocoque shell to the elegant air of the spacious interior. And yet, for all its artistry, the Silver Wraith II is a machine of the moment, a masterpiece of literally hundreds of subtle innovations that were almost unthinkable years ago.

To cite but three examples, a unique automatic air-conditioning system maintains any temperature you desire at two levels of the interior; a sophisticated rack-and-pinion system turns the humble steering wheel into a thing of ease and precision; a self-leveling suspension system lets you forgive and forget the rudest of uneven roads.

And to assure you that the future can be looked serenely in the eye, a Silver Wraith II surrounds you with the strongest metals, the rarest Lombardian walnut, the deepest Wilton carpets and the richest Connolly leather, not to mention an electronic odometer designed to record your journeys to within one-tenth of a million miles.

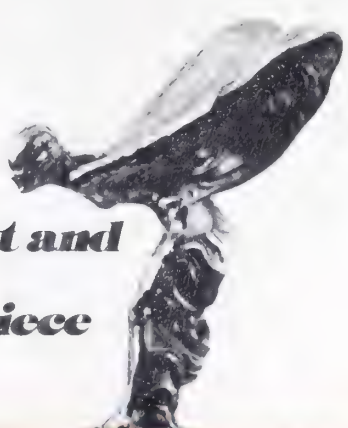
And while that may seem an incredible amount of driving for one motor car, you can rest assured that a Silver Wraith II can dare to improve with the miles and the years only because it takes at least four months to build.

This may explain why more than half the motor cars in Rolls-Royce history are still on the road, many of them climbing in value long after ordinary machines have faded from view.

And this may also explain why two of the joys of your lifetime may prove to be the timeless pleasure and the priceless asset of a Silver Wraith II.

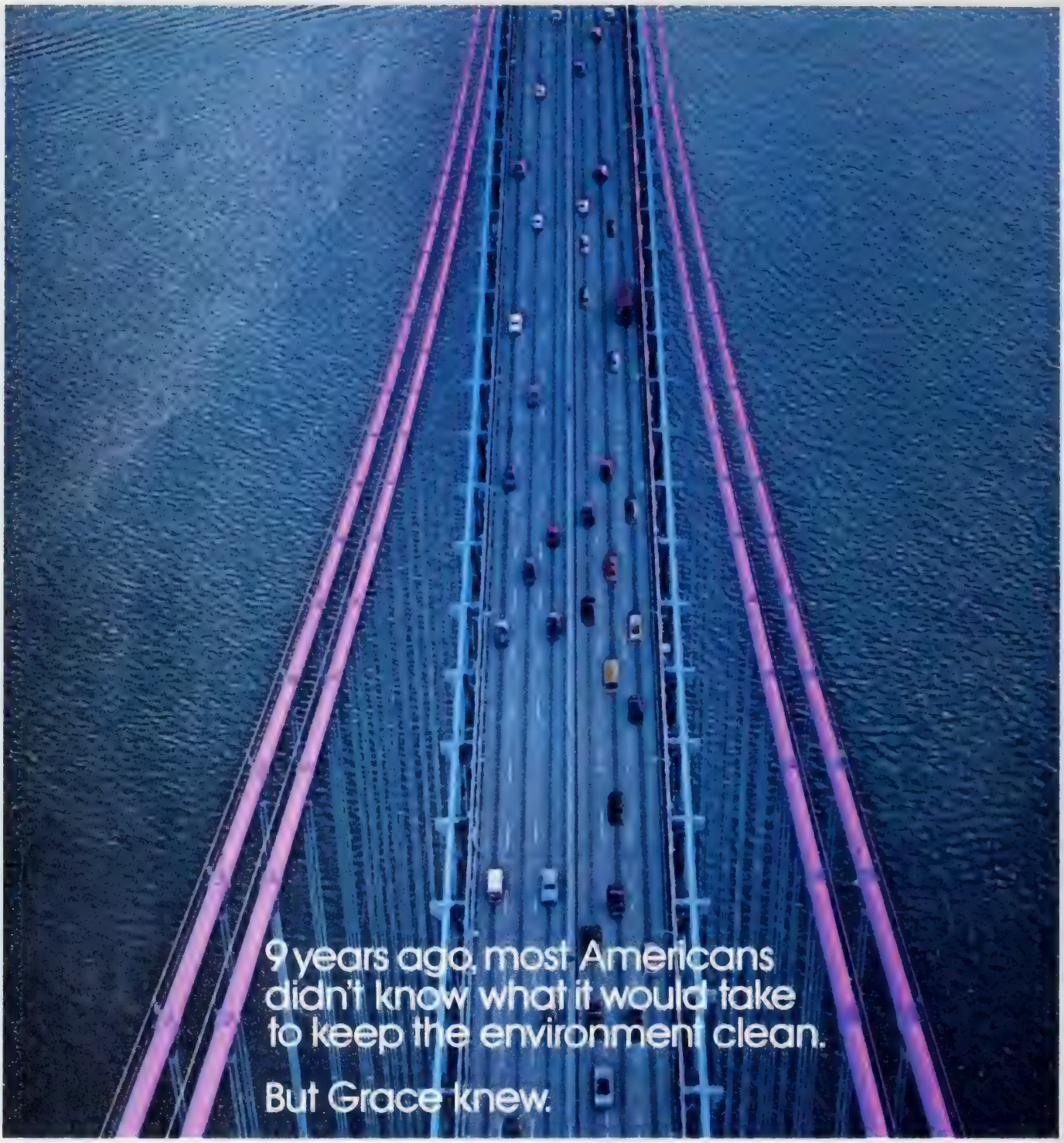
A collection of Rolls-Royce masterpieces is waiting for you at any one of the select dealerships appointed by Rolls-Royce Motors. For further information, consult Rolls-Royce Motors Inc., Century Road, Paramus, New Jersey 07652.

The names "Rolls-Royce" and "Silver Wraith II" and the mascot, badge and radiator grille are registered trademarks.



The heart and soul of a masterpiece

©Rolls-Royce Motors Inc. 1979



As hard as it is to believe today, "ecology" hasn't always been a household word.

In fact, it wasn't until the U.S. Clean Air Act of 1970 that most Americans began to understand the importance of keeping the environment clean.

Fortunately, long before Uncle Sam stepped in to regulate pollution, Grace had already stepped up its efforts to stop it.

In 1964, for example, Grace's corporate researchers developed and produced the first auto emission control catalyst approved by the state of California.

And since then, Grace has led the way in emission control, providing both the research and the products automakers have needed to meet our environmental needs.

Chemicals – for industry, agriculture and packaging – are only one part of W.R. Grace & Co. Grace, in fact, is a $4 billion company with interests in chemicals, natural resources and consumer businesses.

Since 1968, the company's net income has grown by an average of 15% annually, and shareholders have been receiving cash dividends for 45 consecutive years.

Our annual report can tell you more. Send for it by writing to W.R. Grace & Co., Grace Plaza, 1114 Avenue of the Americas, New York, N.Y. 10036, Dept. FB-1.

One step ahead of a changing world.

GRACE

chemicals • natural resources • consumer products

et by high taxes, controversy
d a good bit of dehumanization,
charity business is in trouble.
t consider the alternative.

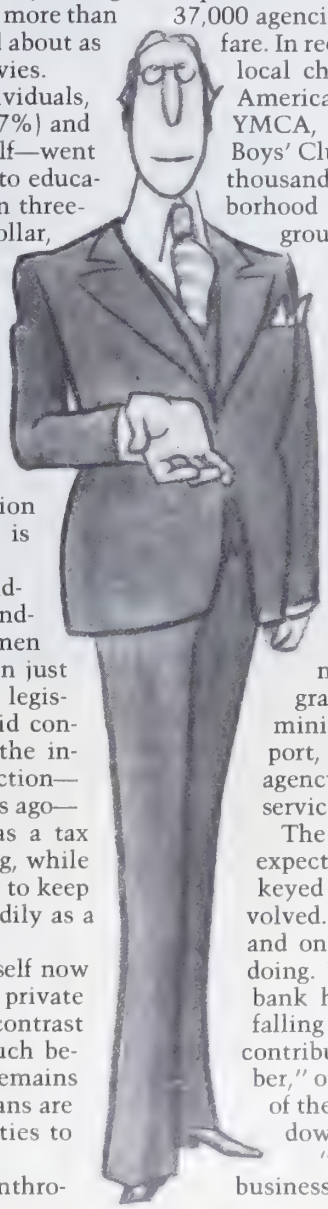
Is charity obsolete?

By James Cook

WHEN IT COMES to charity, Americans are not extravagantly generous these days. Perhaps they feel they are giving more than enough to the needy through the al Revenue Service. At any rate, last year, they indulged ir philanthropic feelings to the tune of little more than llion, 2.25% of their disposable income and about as as they spent on liquor, cosmetics and movies.
er 83% of that $35 billion came from individuals, ne rest from bequests (6%), foundations (5.7%) and rations (4.5%). Close to half—a declining half—went gious organizations, another quarter went to educaculture and the arts. Only 25%, or less than threeers of a cent on the disposable income dollar, to what most people think of as charity, health and social welfare agencies that funds mainly through community fundg campaigns.
society as superaffluent as ours, you can't, urse, dismiss that fraction of a penny. It up last year to a resounding $9 billion. makes charity a very substantial business, oying perhaps 5 million people and enlistne volunteer efforts of as many as 45 million It is also a business where a great deal is ning these days—not all of it good.
any people think charity is a racket and fundrs are crooks," confesses one professional fund- And as a result, among those congressmen eel that government should have a hand in just everything, there is growing sentiment for legisto put charitable organizations under rigid con- And that's hardly the worst of it. With the ind use by taxpayers of the standard deduction—now use it in contrast to 52% just eight years ago—able contributions have become useless as a tax for most Americans. Thus, charitable giving, while steadily in dollar terms, has not only failed to keep th inflation, it has also been dropping steadily as a ntage of disposable income.
ording to one estimate, the government itself now des very nearly as much of the funds used by private ies as private donors do. But for all that, in contrast Europe, where philanthropy has pretty much be- the province of the state, in the U.S. it remains y in private hands, a clear sign that Americans are et ready to hand over all their responsibilities to other.
e any industry with growth problems, philanthropy is experiencing intense competition and a good deal of infighting, some of it quite bitter. The outs—the new activist agencies concerned more with minority rights than with social service—are fighting to get in. The older charities are struggling to maintain or increase their share of the market. What raises the infighting to fever pitch is that, between inflation and changing social conditions, the traditional fundraising methods—direct mail and door-to-door solicitation—have become worrisomely costly or ineffective. The result is that more and more agencies have been looking for new approaches—to combined fundraising campaigns and to the payroll deduction plan in particular—as a means of reducing their costs.

This has inevitably brought them into conflict with the United Way of America, the biggest federated campaign organization of them all. In recent years various United Way organizations have been sued on grounds that, in any business activity, would amount to unfair competition, restraint of trade and conspiracy to violate the antitrust laws. But, legally at least, philanthropy is not a business, and the courts so far have dismissed such charges.

Headed by the brilliantly able William Aramony, United Way of America is the U.S.' largest and most visible charitable institution, an association of over 2,000 chapters, some dues-paying, some not. United Way in itself isn't a charity. It's a fundraising organization that raised $1.2 billion in 1977 and expects to have raised $1.3 billion in 1978 for no fewer than 37,000 agencies, services and programs, mostly for social welfare. In recent years, a good 45% of that money went to the local chapters of eight big national organizations: the American Red Cross, the Family Service Agency, YMCA, the Boy Scouts, the Salvation Army, YWCA, Boys' Clubs and the Girl Scouts. The rest went mainly to thousands of purely local institutions—hospitals, neighborhood centers, day-care programs, senior citizens groups, hostels and so on.



As a federated campaign organization, United Way got its start back in 1887 in Denver, Colo. raising money on a communitywide basis for ten charitable organizations in a single fundraising drive. Since 1949 it has narrowed its focus to the work place, so that today the bulk of its funds comes from employees, whether in government or business, under the payroll deduction plan.

For both business and labor, the notion of a combined campaign had the virtue of putting an end to the countless disruptions in the work schedule that a succession of fundraising campaigns had previously created. And United Way went about its business in a thoroughly businesslike way, setting rigorous financial and program standards for the agencies it supported, determining what programs it would and would not support, and gradually establishing itself as the chief agency for the planning and coordination of charitable services in the communities it served.

The system is highly effective. The employee is expected to give his Fair Share—on a sliding scale keyed to his salary. Corporate competition gets involved. Executives compete fiercely to meet their goals, and one corporation keeps an eye on how another is doing. Last fall, when the head of a large New Jersey bank holding company discovered his company was falling short of its goal, he demanded to see who had contributed so far and how much. "You have to remember," one high United Way man concedes, "the attitude of the higher level man is usually reflected all the way down in the amount of giving."

"United Way," says one fundraiser, "enabled big business to take credit for big gifts, half of which came

from their employees." From a fund-raiser's point of view, corporations contribute at a scandalously low rate—less than 0.91% of their pretax net overall, as against a 5% maximum permitted by law, and most of that comes from a relative handful of large corporations. But, then, in an era when corporate profits are barely adequate to support badly needed reinvestment, corporations can quite correctly respond that they "gave at the office": Well over half their pretax income is taxed away by the various governments that spend it, not always efficiently, for a wide range of things, including social welfare programs of their own. On the other hand, corporations as a group have been exceedingly generous in giving executive time to support the work of United Way and other charitable causes. In raising $4.3 million last year, for instance, New York Telephone probably contributed close to half a million dollars in lost time and wages to the United Way campaign.

Because it can call upon the unpaid services of such volunteers—corporation or welfare agency executives no less than the housewives who man the telephones or the solicitors who wander through the plant collecting pledge cards—United Way can keep its costs down. It is these "free" costs that explain why charitable giving is so cost-effective. Overall, close to 90 cents on the United Way dollar goes to the purpose for which it was raised, as against 78 cents for the major health agencies.

Of course, in mounting its corporate campaign, United Way usually ends up with exclusive access to the payroll deduction system, and this is what has brought charges from agencies not part of United Way and from competing federated systems—like the Combined Health Agencies Drive (CHAD) in California, or the National Black United Fund—that United Way is attempting to monopolize the payroll deduction process. Several agencies have gone into court in an attempt to break up this dominance. In Los Angeles, the Associated In-Group Donors (AID), a regional federated campaign organization, alleged that United Way threatened to cut off any of its member agencies that accepted funding from AID. In Palo Alto, CHAD alleged that United Way had illegally established a monopoly of the payroll deduction system in the Bay area and in Santa Clara County. And in Washington, D.C. 17 national health organizations went into court to force the Civil Service Commission to revise the formula whereby the proceeds of the Combined Federal Campaign are divided—a division that gives United Way the bulk of the spoils. So far the courts have supported United Way.

United Way has nonetheless been trying to consolidate its position by dra
ing into its fold the big health organiz
tions, most of which have traditional
held aloof. Not long ago, locals in Dall
Los Angeles, Minneapolis, Honolulu a
Cleveland worked out so-called "swe
heart" contracts with locals of both t
Heart Association and the Cancer So
ety to guarantee them a minimum tak
with the understanding that they wo
run competing campaigns. United Wa
Aramony also approached the Nation
Foundation/March of Dimes (MOD), b
was rebuffed. "The advantage for Unit
Way," says MOD Vice President Arth
Gallway, "is being able to say there a
no competing campaigns. You are liter
ly giving once for all."

Federated campaigns like CHAD c
probably take care of themselves agai
United Way. But some of the newer a
more controversial agencies—many
them black oriented—are often unable
unwilling to meet United Way's sta
dards for membership. United Way h
not offered to open the payroll deducti
to them, but ever since Bill Aramo
took over in 1970 after a career at t
chapter level, United Way has gone o
of its way to help many of these new
agencies, bending its standards for a
mission on a provisional basis, offeri
managerial and even financial assistan
to those that wish to join. But, co
plains Calvin Rolark, head of Washir
ton's United Black Fund: "There a
countless needs that are not being c
ered by the United Way concept, and
have documented that through the or
nizations we fund—50 agencies with
the United Black Fund."

United Black Fund tried both a boyc
and legal action before United W
would agree to a joint United Way-Un
ed Black Fund campaign back in 19
(see box, p. 48). And other agencies a
adopting UBF's tactics. In Detroit, t
Black United Fund has begun demandi
access to the payroll deductions in t
auto industry. In St. Louis, the Unit
Black Community Fund has refused
join United Way and gone into court
force Chrysler Corp. to grant it perm
sion to solicit through the payroll ded
tion plan. United Way bitterly rese
any charge of bias in its funding, a
$335 million goes into the black comm
nity every year through agencies Unit
Way funds. But the fact remains: On
$45 million of United Way funding
channeled through *black-run* agencies.

United Way denies it seeks a monop
ly. "The key to United Way's approac
says United Way Executive Vice Pre
dent George A. Shea, "is openness-
willingness to include all who meet co
mon standards of public accountabil
and cost-effectiveness and who are wi
ing to accept United Way's system
assessment of needs and allocation
funds." But those *are* rather limiting

FDR and March of Dimes President Basil O'Connor
For the first time, the fundraisers went after the mass market.

ctions: not simply to play the game the rules, but to play it United's way. Jnited Way's stranglehold on the cor- ate market is especially damaging, its ics say, insofar as the United Way is lined to support good gray establish- nt causes, like the Boy Scouts, the d Cross and the YMCA. "United ys," insists Robert Bothwell, head of Committee for Responsive Philan- opy, "have been very slow to recog- e the emergence of minority groups, recognize the emergence of the con- ner movement, to recognize anything v that has come along."

There is at least a grain of truth to the rge. But many of the newer, more troversial causes—desegregation, men's rights, environmental prob- s, the Indian and Hispanic move- nts, and so on—while symptomatic of ve social problems, have political and ological objectives rather than elee- synary ones. "Traditional charity," s James Joseph, a former National ck United Fund board member and v Under Secretary of the Interior, nds to be service oriented. But the ck community also needs social activ- , and the traditional charities have been interested in supporting poten- ly controversial social action."

Change is always difficult to effect in sort of public institution and United v is no exception. Take the Planned enthood Federation of America, the alytic force in the triumph of family nning in the U.S. Only 47 of Planned enthood's 191 affiliates are members Jnited Way. The number *was* 48. But en Planned Parenthood's Gary, Ind. iate decided to provide abortion ser- es a while back, United Way timidly ndrew its support—support that, in a e collar community like Gary, nned Parenthood had little hope of eloping elsewhere.

"The real problem," says Planned Par- nood's Winston Forrest, "isn't the troversy. It's how much local control United Way imposes on an agency's gram, whether it's Planned Parent- d, the Boy Scouts or whatever."

ecause of the local chapter's power, n in United Way and in the agencies v support, it is difficult for many ncies to move with the times. Take Girl Scouts, which diligently com- ted itself to affirmative action and al employment opportunity and had siderable success in adapting its pro- n to the needs of urban and minority ups, migrant workers, the rural poor. o years ago, the national board went ecord as supporting the controversial al Rights Amendment. Suddenly, the Scouts came under attack from the nt to Life movement. "When certain ups alleged that we have a merit ge on abortion," Girl Scout head nces Hesselbein says icily, "we have said clearly: 'We have never had and will not have a badge on abortion.' "

In this respect, United Way is in a situation not unlike that facing the churches. If it eschews controversy and tries to remain neutral on divisive issues it risks becoming irrelevant; if it wades into controversy it jeopardizes the consensus upon which its support rests.

Clearly, then, United Way's biggest problems are not simply financial ones.

Among these, Aramony worries especially about inflation, which threatens to erode United Way's ability to fund its present membership, let alone its ability to take on any new agencies. "When I took over in 1970," he says, "I thought we were in serious shape. We weren't beating inflation. We're a federation, and they can pull out. You've got to keep doing well enough so people aren't motivated to do their own thing on their own. What we had to do was create a common thrust. How else do you sell to the national market that television created? We were using 137 different names. We had to convince people to come together in a common name and a common logo." (The open hand, the rainbow, and the guy being held up by United Way is the way one fundraiser describes it.)

That common logo was the heart of the matter—getting 2,000-odd chapters to agree on certain common principles, systems, objectives, so United Way could function as a national unit with common procedures, common accounting principles, common goals—enabling Aramony to install a modern management system more akin to that governing large business enterprises than that of traditional charitable groups.

With its new structure and stance, Aramony and his board believe they have positioned the organization so it can grow at a level high enough both to offset inflation and to meet the growing need for additional funding—11% a year—a rate that in a decade could raise United Way's take from $1 billion to $3 billion. American Telephone & Telegraph's former chairman, John deButts, who helped draw up the program, thinks it's a reasonable expectation. "It amounts to only half of what United Way would raise if 75% of the employees gave the *lowest* nationally accepted minimum Fair Share standard," he grumbles.

But that 11% growth won't come simply from payroll deductions. It also will involve a considerable increase in corporate giving. To provide the benchmark for that, United Way has come up with the corporate equivalent of Fair Share—the Corporate Guidelines, which are keyed to a corporation's financial and operating record. So far 145 major companies have signed up with United Way's National Corporate Development program, agreeing not only to conduct and

United Way head William Aramony
"We have a moral obligation to use money wisely and well."

promote companywide employee campaigns but to accept United Way's Guidelines as well.

In putting United Way on a sound and businesslike basis, Aramony has gone a long way toward eliminating the emotion that lies behind much of charitable activity—the lachrymose appeal of whimpering puppies or crippled children and causes that justify themselves only by such emotional appeals. United Way itself decides how the funds it raises shall be divided and even on those rare occasions when givers designate their contributions to specific charities, every dollar designated means a dollar deducted from United Way's predetermined allocation, so that the integrity of the allocation process is maintained.

"One of the deficiencies of charitable endeavor—its charm, its virtue, its problem—is the fact that people deal from the heart," says Aramony. "What the United Way system provides is the rational review of how to *use* money. In every other circumstance, you're giving directly to the user. In the home-health area, the visiting nurse from the homemaker's service may not be as sexy as giving to Heart or Cancer, but in terms of real service—in going into the home and working with the cancer patient—that is where the action is. Giving to United Way is saying, 'I know that I don't know enough to be able to commit my money wisely.' It's not a passive decision, it's an active decision to let the allocation process work."

In setting United Way up as a combination Dun & Bradstreet and charitable mutual fund, Aramony puts it at loggerheads with much of the charitable establishment. The health agencies, in particular, have tended to be the creations of individuals who felt strongly about the cause they supported—Basil O'Connor (FDR's law partner) at the March of Dimes, Mary Lasker at American Cancer, Rome Betts at American Heart, Jerry Lewis at Muscular Dystrophy—and they have even today not entirely lost that emotional thrust.

But the very rationality of the United Way approach, as the health agencies see it, is in itself the reason why United Way cannot be the *only* way of charitable fundraising. For the health agencies, success has always rested on people who have some particular commitment to a cause, an ailing friend or relative, an unspoken fear for themselves. The 23 largest health agencies raised $560 million in 1977. United Way, which allocated less than $50 million to the national health agencies, could hardly have raised that $560 million for them if it campaigned in their behalf. This in part explains why the Dayton chapter of Planned Parenthood decided not to join United Way a few years ago, at a time when demand for Planned Parenthood's services went from $55,000 a year to $130,000. "We knew," says the Federation's President Faye Wattleton, "that United Way could not keep up with demands we were having to fund."

As it is, United Way contributes or 25% of the $4 billion or more that t 37,000 agencies under the United W aegis need to fund their operations. M of them generate supplementary fun on their own, generally from sources n competitive with United Way. The lo Girl Scouts councils get $33 million year from United Way, but they genera $57 million on their own, including $ million from activities like selling million boxes of cookies. The Salvati Army gets more than $38 million fr United Way, but it generates as mu from its direct mail and street cor campaigns. Other agencies live off g ernment grants, as Care and Save t Children do.

Compared with the 11 cents Unit Way spends for every $1 of revenue raises, the 18% average fundraising c of the big health agencies looks high. B the difference is largely a matter of met od, and direct mail is currently the pri method of raising funds. According the Direct Mail Marketing Associati a third of all contributions that nonpro groups get come from direct mail. N profit organizations send out roughly billion pieces of mail a year, and thou nonprofit mail moves at only a quar the commercial rate, direct mail has b come an expensive method of raisi funds and is becoming more expensi every year. Even so, most agencies ou side United Way—and that's the ov whelming majority—are worried abo their costs, partly because inflation h

Black is bountiful

"When you look at the charity system," says Calvin W. Rolark, "blacks supposedly have always been the recipients but never the policymakers. That's what we are trying to change." Rolark, 51, publisher of the Washington *Informer*, founded the United Black Fund in 1969 to do something about the situation. UBF couldn't do much on its own, but it finally pressured United Way into agreeing to a joint campaign in Washington, D.C., where about 72% of the population is black.

By the agreement, UBF became entitled to any funds designated to it by employees through the joint campaign, plus 12.5% of any funds in excess of the $14 million United Way was raising when the partnership was formed. Fundraising costs, which UBF shares with United Way, run around 7% of receipts, while administrative costs eat up another 3.5%. Of total 1977 United Way receipts of over $19 million, UBF netted only $865,000, which it dispenses to some 50 agencies of its own choosing, such as Deafpride, Efforts for Ex-Convicts, and the Howard University Center for Sickle Cell Disease. "We have no *permanent* agencies," Rolark says. "They have to come back every year to be accepted."

Rolark has ambitions of duplicating UBF's success across the U.S. With chapters already established in the Washington area and California, United Black Fund of America is helping to set up new ones in Alaska and Texas, and expects to move on into Michigan, Tennessee, Missouri, Illinois and Washington state. Rolark expects these locals will have to fight their way into the payroll deductions system just as he did. **—J.C.**

United Black Fund's Calvin Rolark
White fundraisers didn't understand black needs.

them especially vulnerable and partly ause politicians these days are look- over their shoulders.

he question is: What are reasonable draising costs—for direct mail or for thing else? Direct mail costs vary all r the lot, depending on how well wn the cause or the agency is, but it cost an agency 100% or even 150% he funds generated to acquire an initial list of donors, though 35% is more likely the average. Once that initial list is in hand, the return on subsequent mailings rises rapidly, solicitation costs drop sharply, and within three years or so, even today, direct mail costs should drop to around 15%. "That's why it's so hard to get a new agency off the ground," says fundraising consultant Edwin E. Steward *(see box, below)*. In 1976, for instance, American Kidney Fund found itself spending 50% of the resulting proceeds on a new donor acquisition campaign. At the same time, its renewal mailings cost it only 9%.

To increase the prospective donor's sense of obligation, a fair number of agencies have increased their direct mail costs even more by mailing unordered merchandise with their solicitations—

A gamble for high stakes

A bluff, balding man with a gift of gab and a smile like a Christmas tree, Edwin E. Steward, 58, is known in the fundraising business as a whiz of a wills-and-bequests man. The son of a Baptist minister and a former Baptist minister himself, Steward comes by his expertise naturally. "I got started in fundraising early," he says, "going to church meetings where I heard them lift the offering. As a minister, you're the executive of a voluntary agency, and you've got to raise money."

Thirty years ago Steward found himself ministering to souls and raising cash at a church in Buffalo, N.Y., a city with more than its share of alcoholics. There he got involved in setting up an alcoholics' rehabilitation center and has been shuttling back and forth between the church and the health agencies ever since. As he says, "You're welcome anywhere if you know how to raise money in large quantities." Steward has been welcomed by the American Baptist Churches-U.S.A., the American Cancer Society and the Memorial Sloan-Kettering Cancer Center, among others. Currently he's doing consulting work for a number of health agencies and is director of trusts and estates for the White Plains Medical Center.

"Health agencies are reluctant to get involved in wills and bequests," Steward says, "because they want results *now*. In this business you work your heart out for three years before you begin to see things happen, and all the while the fellow in the annual appeal is saying, 'Look, I'm trying to justify the expense to the board, and they're not seeing any money coming in.' What are you supposed to do—push the donor in front of a subway?"

Out of delicacy, a drive for bequests is called a "deferred gifts program," but the fact that the gift is "deferred"—the donor hopes for a long time—causes the beneficiary some problems. Ed Steward goes on: "The front-end cost of a deferred gift program may be $300,000, but by the time your fourth year comes around it begins to show a harvest. This is not a passive kind of job. You've got to keep in touch with your donors to be sure they don't change their minds. Fundraising boils down to a trained volunteer with a firm figure in mind asking for gifts from a prospect who has been cultivated. Most of the money comes from women. The husbands acquire, and the women dispose. They outlive their husbands. This is a terribly wearing job. The attrition on the emotions is tremendous."

Any way you cut it, Ed Steward is a first-class salesman. He could probably make more money selling life insurance or bonds, for example, than the $40,000 to $50,000 a year he makes from fundraising—a business where commissions are forbidden by a professional code of ethics. But, clearly, he gets psychic satisfaction from his job just as some of his elderly prospects get spiritual satisfaction from leaving money to charity rather than a favorite niece.

Steward's missionary zeal for his calling has been passed on to his sons. Son Bill, a botanist, is now development man for the New York Botanical Garden. Son Bob, after three years in the Peace Corps and six in graduate work and teaching at UCLA, wound up with the American Foundation for the Blind. Son John, with an M.B.A. in nonprofit finance, works for the Audubon Society.

As Steward sees it, philanthropy is alive and well. "Church budgets have been shrinking," he says, "but not health agency budgets. The American public have lost their otherworldliness in religion, but they haven't lost their in-this-worldliness. You may not believe in saving souls in Africa, but you'll believe in saving leukemic children, especially if you have grandchildren. Philanthropy today, more than in the past, fulfills a very basic emotional need. That's one reason we've been constantly growing.

"You don't see the exciting part of this business. Here's this fellow with a million dollars, and we've got him convinced he's going to do it. And here is his attorney, and here is my attorney, and this is me, you know. It's a gamble for high stakes, and all of us have a clutchy feeling in our stomachs." **—J.C.**

Wills & bequests man Ed Steward
You can't push a donor in front of a subway.

Getting and giving

How do you decide whether a charitable organization is expending its funds wisely and well? New York's National Information Bureau worries especially over what proportion of funds raised is absorbed by the cost of fundraising (col. 2, below). Washington's Philanthropic Advisory Service pays more attention to what proportion of total funds is committed to programs the funds were raised for in the first place (col. 3). Both worry about how much of the total funds an agency raises it actually spends on anything (col. 4).

Year	Name	1 Income (millions)	2 Fundraising expense	3 Program expense	4 Unexpended income
Child sponsorship					
1977	Foster Parents Plan	$ 18.3	8%	79%	0.1%
1977	Save the Children Federation	11.6	11	55	NC
1978	Christian Children's Fund	31.1	11	82	0.1
1977	U.S. Committee for UNICEF	9.5	25	76	d0.6
Conservation					
1977	National Audubon Society	10.5	17	88	2.1
1977	National Wildlife Foundation	22.7	19	85	10.6
Foreign assistance					
1976	International Rescue Comm	6.1	6	90	0.1
1977	American Friends Service Comm	10.1	14	69	4.1
1977	Care	186.1	23	96	0.2
1978	Project Hope	9.6	24	90	d8.3
Health					
1976	Nat'l Assn of Retarded Citizens	130.7	9	83	4.8
1977	Muscular Dystrophy	59.2	12	66	20.4
1978	Amer Found for the Blind	8.5	13	74	9.4
1977	American Cancer Society	126.8	13	75	2.7
1977	National Council on Alcoholism	3.4	13	91	d1.8
1976	American Diabetes	8.5	14	71	10.4
1976	Multiple Sclerosis	18.0	15	66	11.7
1976	Cystic Fibrosis	8.6	16	76	1.5
1977	Mental Health Association	1.6	17	75	d0.5
1977	American Heart Association	77.6	17	71	4.3
1978	Nat'l Found/March of Dimes	68.5	18	69	7.6
1977	Runyon-Winchell Cancer Fund	2.3	18	61	30.7
1976	Arthritis Foundation	15.6	19	70	6.2
1977	Leukemia Society	9.8	22	63	d0.3
1976	Easter Seals	81.6	24	72	5.5
1977	United Cerebral Palsy	50.5	26	78	0.8
1977	American Lung Association	49.9	28	65	4.4
1976	Epilepsy Foundation	7.8	40	52	7.7
Individual services					
1977	Planned Parenthood	104.3	12	90	3.5
1977	American Red Cross	349.6	23	81	10.8
1977	Disabled American Veterans	29.1	34	38	30.2
Minority groups					
1977	National Urban League*	13.4	6	83	d2.2
1977	United Negro College Fund	15.1	17	79	—
1977	NAACP Special Contrib Fund	2.8	22	61	4.1
1976	Congress of Racial Equality	4.1	40	38	3.5
Religious groups					
1976	United Jewish Appeal	272.3	5	98	17
1976	Catholic Charities	318.0	13	106	d6.0

Note: Fundraising expense is a percentage of direct support only; program expense and unexpended income are percentages of total support/revenue.
*National only. NC-Not comparable. d-Deficit.

Source: National Information Bureau, Agency Annual Reports.

seals, pens, letter holders, plastic k chains, greeting cards, sweepstakes ti ets, postage stamps, return address bels. It's a promotional gimmick that t industry's two watchdog agencies—N York's National Information Bureau a Washington's Council of Better Busin Bureaus' Philanthropic Advisory S vice—consider unethical, as putting u due pressure on the recipients. And i helped keep American Lung Asso ation's fundraising costs at 28%, Eas Seals' at 24%, the Epilepsy Foundatio at 40% and Disabled American Vetera at 34%. But at least one agency, the Labre Mission School, which for 18 ye sent out plastic thermometers, let holders, and so on, found that when th stopped doing so two years ago th response dropped by 50%. Though Labre saved $2 million in labor and p mium costs, its total take dropped fr $6.4 million to $5.4 million.

Many of the big health agencies turn to direct mail a few years ago because t traditional door-to-door fundraisi method no longer worked. The March Dimes was built on the Mothe March—millions of women ringing do bells and asking for money—but th days people are afraid to open the do and besides, mother is probably worki So the yield from the Mothers' Mar dropped from nearly $15 million in 19 to $8.1 million last year. Now the subs tute, direct mail, is getting too cost Says MOD's Arthur Gallway: "It costs $26 a thousand to do a mailing, includi $7 for postage. In three years, we exp it will cost us $26 for postage alo That's why we're determined to devel another source of funding."

The March of Dimes has had consid able success with its Walkathon, raisi $17.5 million last year at an 8% cost, b many of the newer and more biza fundraising methods are either costly difficult to control: There's a verita *thon*-ic boom in fundraising these days readathons, skatethons, swimatho bikethons, dancethons, and so on. B those that reach for large markets—te thons, radiothons—sometimes run o of control *(see box, p. 51)*. And spec events—dinners, entertainments—a often more costly than they're worth.

"Telethon costs can run anywh from 45 to 60 cents, special events 30 35," says fundraiser Ernest M. Fro who's raised funds for the March Dimes, American Heart, Diabetes an currently, the National Energy Found tion. "Special gifts run around 10%, b 30% to 35% if you use direct mail. Wi and bequests are under 5%. A well-ru well-advertised campaign using a varie of methods will run 25%, and anybo who says he's doing it for less, I want see his books."

All the rules of thumb, the fundrais say, are no more than that. Any agen

can display puppies or crippled chil-
has an edge over agencies con-
ed with alcoholics, epileptics, syphi-
s or the mentally ill. Death-dealing
ses are easier to sell than lifelong
, and certainly find it easier to at-
bequests. Together the Cancer and
t agencies outraise Diabetes, Arthri-
Multiple Sclerosis, Mental Health
United Cerebral Palsy combined by a
in of two to one.

set by inflation like everyone else
cutely aware of the hazards of being
ly dependent on any one source of
raising, more and more agencies are
ning to diversify their sources of
me. Bequests are one promising
e. Says Ed Steward, "In a situation
e direct mail costs are running 30%
%, if you don't have a bequest pro-
, it begins to look pretty horrible.
organizations have to get their
raising costs down by doing broad-
rum fundraising—annual appeals,
s and contracts, foundation contri-
ns, bequests."

nerican Cancer, Heart, Easter Seals,
American Foundation for the Blind
the Arthritis Foundation have al-
begun to develop large gifts and bequests programs. But the Red Cross has long since gone them one better—by dabbling in a small way with university-style fundraising: the creation of a $90 million endowment that yields it over $5 million a year. This would seem a logical instrument for funding continuing charitable needs.

But when you boil it all down, it seems more than ever that United Way, with its increasing corporate support and payroll deduction scheme, is the wave of the future in charity. You can mount only so many spectacular events; direct mail is becoming prohibitively expensive; bequests, while growing, are not a mass market. Scandals in individual charities further enhance United Way's position because of its tight controls and businesslike supervision.

As against these strengths, United Way has serious weaknesses. One is that it seems to be part of the dehumanizing process that afflicts modern life. "As an employee," one fundraiser says, "I rebel at being told how much I should contribute as a Fair Share. Because who got together? The same bastards who were always telling me everything else in my life—either the boss or the union—and I'm going to say, 'Screw you both.' "

The pressures of rising costs and rising needs in the face of sluggish giving, however, have forced the philanthropy industry to emphasize efficiency—computers, rigid controls, mass media. This is giving charity the same kind of institutionalized image that is characteristic of business and government today. The human touch is missing, the personal contact; it is all machine-to-machine. How could it be otherwise when charities begin pushing their wares in the media much as others push soap and breakfast food, when they take to the courts to define their market shares, when they begin saying that giving is an obligation and not a responsibility?

Yet one can deplore this loss of the human touch and still rejoice that in the U.S.—unlike in a Europe that is fast turning such concerns over to Big Brother—charity still remains a private endeavor. Giving money to United Way may not be nearly so satisfying as personally presenting a new flag to a Boy Scout troop or watching the smile on a child's face when you hand her a badly needed pair of shoes. But it's a lot better than leaving the whole thing to Uncle Sam. ■

Wham! Pow! Telethon!

ast Labor Day weekend, Jerry Lewis, Ed McMahon and cores of other stars capered, cajoled and otherwise enranced a bedazzled television audience for 21½ hours, and ied up 213 television stations and 37 million television ets around the clock. When it was over, the tote board eoned a whopping $29.1 million raised for the Muscular ystrophy Association. So ended another Jerry Lewis Labor Day Telethon, probably the largest fundraising event—elethon or otherwise—in history.

Most professional fundraisers take a fairly dim view of elethons, where expenses often eat up 40%, 45% and ven 50% of costs, but MDA claims that its long experience with the method has reduced its costs to about 20%. Corporations like McDonald's and Southland begin hyping he event long before Labor Day weekend, building the rospective market, and MDA sloughs off its costs on thers wherever it can. For one thing, it lowers its costs by etworking—hooking many stations on one long line—nd sending the TV signals over the telephone line. Most f the TV time is donated by the stations, and the stars ppear for free, though MDA makes a mandatory contribuion to the actors' welfare fund, Theatre Authority. Far rom suffering one of the big problems of telethons—ledges defaulted on after second thought—MDA in 1977 edeemed 103% of the amount pledged.

The more serious problem for an organization that funds ver $39 million in programs on a continuing basis is that t has become dependent upon a single event for almost alf its support, and more than that, on a single individual, erry Lewis. What happens when Lewis dies? What if he ctually had committed suicide as he claimed he considred doing a while back?

"We think about that," says MDA Comptroller George ellner. "We investigated the possibility of insurance, but ecided against it. We would have to go to Lloyd's for omething like that, and the cost would be prohibitive."

—Christine Miles

Jerry Lewis' Muscular Dystrophy Telethon
All that sound and fury, signifying money.

In Texas, where they make their businessmen tough, there is none tougher than Harold Simmons—or more controversial.

PSA's unwelcome suitor

Dallas businessman Harold Simmons
It will take more than a shareholder resolution to make him go away.

HAROLD SIMMONS can read int balance sheet things that no else sees," says Jimmy Ling, deposed conglomerator who keeps an fice just one floor below Simmons in office tower overlooking downtown D las. What Simmons saw when he stud the balance sheet of Pacific Southw Airlines was a fleet of airplanes t could be worth a whale of a lot more th the California intrastate line was fet ing as the listed stock of a going conce So Simmons started buying the stock PSA, Inc., the holding company. By tober he owned 20% through Valhi, I a real estate subsidiary of Contran Co a Dallas-based holding company wh Simmons controls. "The stock was s ing for $19 a share," he recently sa "but the value of the aircraft on the o market was $50 a share."

Here were the numbers that so pealed to Simmons: PSA had 3.3 mill shares outstanding. It was also just sh of $51 million in debt. Total price: ab $120 million. Subtract some $20 mill in working capital and you had the wh company, aircraft, equipment and rou valued at around $100 million. As agai this, PSA owned 29 Boeing 727s. going price of a 727 is about $8 millio

Earnings? Nothing much to bo about. PSA, which until last year whe added routes to Nevada flew intrast only, has never earned a very good turn. Last year was exceptional for P nevertheless, not counting profits on posal of aircraft, it earned only ab $1.20 a share—6% on stockholders' eq ty—in the last reported 12 months. classic case of a company that would worth more dead than alive.

Simmons, 47, a native of Golden, T (pop. 200) with an M.A. in econom from the University of Texas, got start in business by building up a chai drugstores in the Southwest. He s them off in 1973 to Jack Eckerd Co and began to build up an empire throu Contran Corp. Simmons professes to an admirer of Pittsburgh tycoon Thon M. Evans, whose shrewd eye for va and tough tactics in pursuing it h built the Crane Co. into a major cor rate enterprise. Simmons still has a l way to go to match Evans. But no do about one thing: Like Evans, he is tou Simmons makes no bones about what has in mind for PSA if he gets contr break it up and turn it into hard cash is an old story with Simmons.

Jimmy Ling first got to know Si mons three years ago when Ling wa $250,000 consultant to Valhi, Inc., spin-off of Houston's $200-million-p conglomerate, Southdown Inc. Simm won a bloody court-and-proxy battle get control of Valhi, Inc., then headed Doyle Mize, who had ambitions to bu Valhi into a conglomerate as he had ea er done with Southdown.

alhi owned and operated large farm perties in California and Louisiana in t ventures with Prudential Life Insur- e Co. and a Prudential affiliate. After mons got control of the company he olved the partnerships and sold 00 acres of land at a profit of over million. Others saw Valhi as a busi- ; Simmons saw a potential pile of , some of which went to finance the stock purchase.

fter the Valhi deal, Ling and Sim- is became friends—for a time. Ling d Simmons into another deal, this involving the subordinated debt of krupt Omega-Alpha, Ling's own eback try. Ling knew the debt to be h considerably more than the 15 s on the dollar it was selling for on open market. He convinced Sim- is to buy up over 50% of the debt for it 35 cents on the dollar.

ng was right. The debt has already rned over 40 cents on the dollar— ig Simmons back his original invest- t—and both Ling and Simmons ex- it to return over 80 cents by the the final liquidation is made.

it Simmons and Ling didn't remain ds for long. Simmons had found out a subsidiary of Omega-Alpha, North erican Acceptance Corp., a finance pany in Atlanta, had a suit against and other former directors. Sim- s bought control of NAAC and is now suing Ling and other former directors of Omega-Alpha and NAAC for $75 million. "People in business are greedy," Simmons shrugs without an expression on his face. "And greedy is what makes the whole economy run."

PSA may or may not be worth more dead than alive, but like most people and most businesses it isn't eager to die—not even to help the economy run and make Harold Simmons richer.

To defend itself, PSA convinced its shareholders last December to vote an amendment that would require an 80% majority for a merger involving holders of at least 20% of PSA stock. Management has 14.6% of the outstanding stock, and a board member friendly to management, John P. Guerin, has another 7%. Simmons, whose drawl is low-key but who doesn't avoid a courtroom fight, says he spent $1.5 million last year in lawyers' fees. He has already spent over $300,000 fighting PSA in court to block the amendment change and has sued the company in both California and Delaware courts, charging that the amendment violates, among other things, stockholders' rights. Clearly, it is going to take a good deal more than a shareholder resolution to make Harold Simmons go away.

In proposing to liquidate PSA, Simmons bases his estimates of the profit potential on more than just the value of the aircraft. "PSA has a good feeder system," he says, "and would probably fit into some other transcontinental airline." It is not lost on Harold Simmons that National Airlines was selling at $15 a share less than a year ago, and that since then Eastern Airlines has offered $50 a share for it.

Now, let's see . . . National Airlines goes for roughly two times book value. PSA's 1978 year-end book value will be around $23 a share. Twice that is $46 a share. Simmons' companies own 700,000 shares. That would be a profit of $19 million. Not bad. This isn't what Simmons says. But this is probably the way he is thinking.

What about PSA's executives? Its 3,500 employees? That, quite clearly, is not Simmons' problem. Do they call Harold Simmons a scavenger? Do they rake up old stories about the indictment for mail fraud back in the Sixties that grew out of the bankruptcy of a couple of insurance companies Simmons controlled? He just shrugs and says, "I'm virtually immune to criticism. Some people are too sensitive to get involved in a pissing match. Not me."

At the moment, the market is betting against Harold Simmons and liquidation or sellout. PSA stock sells for no more than the average price his companies paid for it. But it doesn't look as though Simmons is just going to walk away. ■

"That's a Butler building?"

Yes, that is a Butler building. In fact, you probably see beautiful Butler buildings all the time and don't know it.

Because Butler buildings offer total design flexibility and can be as tasteful and dramatic as any building.

Yet, they also give you all the important time and money savings of systems construction.

To learn more, call the local independent contractor who can build one for you. See "Butler Mfg. Co. Builder" in the White Pages. Or write Butler Mfg. Co., Dept. B-397, BMA Tower, Kansas City, Mo. 64141. 71634

BUTLER

Black & Decker acts more like a soap or cosmetics company than a hard-goods manufacturer. Its basic product is new products.

Keep 'em comin'

Black & Decker President Francis (Frank) Lucier
Nearly 60% of his business is foreign—the most of any major U.S. manufacturer.

By Paul W. Sturm

In 1975 Francis (Frank) Lucier came chief executive of Black Decker, the world's largest po toolmaker. The first man outside founding families to run the Baltim based firm, he took over at a most a ward moment. During Lucier's inaug 12 months, he presided over a 22% ea ings decline—the first break since 1 in an enviable chain of 15% gains t made his company a growth stock l end. Suddenly B&D, awash in invent was laying off thousands of employee

But now Lucier, an erstwhile coll linebacker with a fondness for foot analogies, sees those dark days in a ferent light. "Don't blame 1975 on economy," he says. "It was all Black Decker. Power tool business in the U went up 10% that year, and we didn't any of the increase. It was very emb rassing—and that sure helped me get organization's attention."

In his first three years, in fact, Luc has made the most of that opportuni In fiscal 1978, which ended in Septe ber, B&D posted sales of $960 milli and profits of $66 million. The co pany's operating margins are back abo 18%; and return on equity, which dipp close to 10% three years ago, is now comfortable 16%. "We've almost ov come our decline already, and we've the discipline to keep our histo growth line moving," says Lucier.

Such growth, which amounts to do bling sales and profits every five yea came relatively easily when B&D w small. Just after World War II, the co pany practically created the consum market for power tools. They are now over 70% of all U.S. homes, and B& has a 50% market share. (Its chief co petitors: Rockwell International a Singer, maker of Sears, Roebuck's Craf man line.) Historically, recessio weren't a problem because hard tim forced home owners to make even mo of their own repairs; on top of that, pro uct demand responded well to B&D aggressive promotion. Its basic ¼-in drill sells now for as little as $8—or third what it went for 20 years ago. Eve time the price fell by 30%, the size of t market doubled.

What may be more important for t future, however, is Black & Decke geographical diversification. With plan (all nonunion) in 10 countries and dist bution subsidiaries in 45, the compa gets about 60% of its sales and earnin outside the U.S.—more than any oth big manufacturer. B&D's U.K. subsi iary, for example, has a 90% mark share, and "Black & Decker" in comm parlance there means "power tool," ju as "Hoover" means "vacuum cleane Total European tool business, in fa outstrips equivalent U.S. operations, a

ul Colony, managing vice president, tells how A&A works from a client's point of view:

We show clients how to maximize their product liability risk dollar."

"The cost of product liability surance continues to climb be-use claims costs continue to crease. The problem is finding e broadest coverage available for ch dollar of premium. The first ng we'll do is analyze the ex-sure and past losses. Our anal-s might suggest a self-insured ention or a deductible. Or it uld mean looking into the feasi-ity of a captive insurance com-ny. We're flexible in seeking the ht solution for each company's individual needs. From the client's point of view, it's the bottom line that we have to worry about."

Working from a client's point of view is our way. In Los Angeles, where Paul Colony is based. And in over 110 cities here and overseas. That means working as allies, solving business problems together. One of the biggest is the product liability area, and we have the talent and technology to develop programs for the greatest bottom line benefits.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

How long has it been since you talked about where you stayed, instead of just how many miles you covered?

Ritz-Carlton
CHICAGO
Four Seasons Hotels
Water Tower Place

Call your Travel Agent or in New York State Toll-Free 800·462·1150 Elsewhere in Continental U.S. 800·828·1188

We Welcome American Express Cards.

AMERICAN EXPRESS

it was the only major B&D segment that kept growing during the 1975 downturn. Part of the reason: Market penetration is lower abroad, the potential for growth via price-cutting greater. Bottom-line electric drills go for about $25 on the Continent, even more in the U.K.

Perhaps most remarkable, though, is Black & Decker's success in Asia. Its popular products are just the sort that usually appeal to the shrewd mass-marketers there, but so far B&D is the consumer market leader even in Japan—where the concept of home power tools is just catching on. At the moment, operations outside the U.S. and Europe account for 20% of net income and provide its fastest earnings growth.

The Japanese, of course, haven't ignored the power tool business. B&D's most aggressive international competitor is Makita Electric Works, a company that entered the field 20 years ago and now has sales that approach $250 million annually. But Makita—and huge European toolmakers like Germany's Robert Bosch and AEG-Telefunken—concentrate on the professional end of the market and minimize all-out battles with B&D in consumer products. The same goes for the U.S.; B&D's toughest fights are in commercial markets, where its share is just 30%. Competition comes from several smaller firms, including Skil Corp., which aggressive Emerson Electric plans to acquire, and Milwaukee Electric Tool, a division of Amstar Corp.

"I guess you could say we were tough on the ground but not so good on the passing," says Lucier of B&D's failure to match its consumer success on the assembly line and construction side of its business. Such commercial sales account for half the worldwide market for power tools, and gains here won't come easily.

Despite steady overseas expansion and a push for more nonconsumer sales, the bulk of B&D's anticipated earnings increases must come from new products. And here, the 1975 debacle taught Lucier a valuable lesson. In the late Sixties, B&D figured that market penetration in the U.S. for drills had peaked. For expansion, it moved into lawn care. Unlike its other wares, however, lawn mowers and hedge trimmers were subject to seasonal demand and weather conditions. Says Lucier, who came up through B&D's U.S. marketing side, "Business could collapse if it rained during the key buying months, and you can't use that as an excuse to your shareholders if you call yourself a growth company."

So B&D cut back sharply on outdoor products. Since 1975 its total U.S. sales have risen nearly 50%, but production of weather-sensitive items has dropped by half. Part of B&D's new domestic strategy is recycling old drill customers—first into two-speed and reversible models and then into hammer drills, which can cut through concrete. But much of expansion comes from other areas, a many of them are benefits of its dec tralized worldwide operating style.

To encourage shrewd planning, a B& country manager who beats his bud keeps the excess profit to reinvest hi self, and foreign subsidiaries do th own marketing and product devel ment work. By cannibalizing parts a tooling, managers can often hold star costs on a new line to under $150,000. such ingenuity B&D aims to launch p haps a score of new products yearly keep consumers interested.

Low investment costs minimize tential losses, and if an item sells it g heavy promotion. Consider Workma an $80 folding workbench that B&D U.K. subsidiary launched eight years a

B&D's size means it mu soon venture outside t basement and the garage meet Lucier's 15% annu growth goal. Soon to be intr duced in the U.S. is Dustbu er, a $30 hand-held recharg able vacuum cleaner.

with considerable misgivings. The pr uct, designed for home handymen cramped British apartments, was a hi success in the U.S. too, and sales n run $100 million a year.

Still, B&D's size means it must s venture outside the basement and garage to meet Lucier's 15% growth g Soon to be introduced in the U.S. Dustbuster, a $30 hand-held rechargea vacuum cleaner that comes close to p ting B&D in competition with appliar manufacturers. "The idea, of course, is keep churning out new items regularly they are never dependent on any blockbuster," says Alex. Brown & So Alfred Berkeley. "Nobody asks 3M or what their new products are, you j assume they'll have them."

What Black & Decker won't do, ho ever, is to repeat what Lucier terms "bet the company" acquisition. F years ago, when its revenues were rou ly $350 million, B&D paid $55 millior stock for McCulloch Corp., a privat owned manufacturer of chain saws t was losing money on sales of $80 m lion. That move into gasoline technol proved successful, and today McCull makes good money and has branched to supply moped engines for AMF Co But Lucier wants no more big ris Though Black & Decker's shares toc trade at less than half their pre-19 highs, they still command an 11-tim earnings multiple in a market that av ages 7 times. So Lucier can't afford other profit dip. Wall Street can forg one surprise. But not two. ■

Share price.
Management wants to maximize it.
Financial consultants try to influence it.
Wells Fargo's corporate finance experts build a relationship around it. Strategizing. Model-building. Asking 'What if?.'
We can help show you your company's financial future.
Then help make it a reality.

Pioneering. Wells Fargo Bank.

Very Fifth Avenue

Dedicated to the most exclusive avenue in the world.

This is the new look on Fifth Avenue. Chrysler New Yorker Fifth Avenue. The most luxurious Chrysler made. One of the most luxurious automobiles in the world.

A tribute to the most exclusive avenue in the world. Fifth Avenue. A remarkable new design achievement. Handsomely detailed and dressed in an exclusive designer cream-over-beige paint treatment and coordinated leather seating. A special edition automobile, equipped with a unique list of elegant accessories such as custom leather-wrapped tilt-steering wheel, wire wheel covers and specially made, whitewall radial tires with gold accent stripe. Standard power-assisted features even include power windows.

Chrysler New Yorker Fifth Avenue Edition. Fashioned to be in style on the most exclusive avenue in the world.

Very elegant. Very exclusive. Very Fifth Avenue.

Chrysler New Yorker

Fifth Avenue EDITION

The many worlds of RCA

75 different makes and models help Hertz keep superstar status.

A wide choice of cars is just part of the Hertz story.

Fifty-four performance standards help provide each customer with a clean, reliable car fast. And Hertz has the most rental locations worldwide. That makes it easy for the Hertz customer to be a Hertz customer.

Then there is the Hertz #1 Club.® Its members get special computer reservation treatment—such as pre-filled-out forms and preassigned cars ready before the customers even arrive at the Hertz counter.

In the ten years since Hertz became part of RCA, profit has risen 364% on a revenue increase of 109%. Last year, Hertz reported the largest year-to-year earnings gain in its history.

From Hertz rental cars to weather satellites, from Banquet® frozen foods to Coronet floor coverings, RCA is dedicated to innovation, quality and steady growth.

©1978 RCA Corporation

usinessmen spent more time in jail for price-xing in 1978 than in the previous 89 years. amounts to a new occupational hazard.

The boss in the slammer

By Nick Galluccio

THIS MONTH Richard S. Wise, vice president of a Chicago sheet metal company, starts serving his term federal prison. His boss, Stanley B. lis, just got out. Both men had been ıvicted in a bid-rigging conspiracy to ide up the sheet metal work on gov- ment construction jobs.

f the staggered sentences indicate ıcern by the judge over who would be minding the store, that may well be one of the few instances of compassion business criminals should look for these days. The white collar is indeed tightening around the necks of the nation's business executives. Price-fixing, exploding gasoline tanks, collapsing scaffolds and a long list of small and large events are becoming major crimes. Punishment is being meted out to people so high up the corporate hierarchy they almost couldn't have known about the crimes. No matter, the statutes and the judges are saying: "Vicarious responsibility" makes them liable anyway.

When the Justice Department uncovered a major price-fixing conspiracy in the electrical equipment industry back in the 1950s, only the immediate participants went to jail. The top executives of General Electric, Westinghouse and Allis-Chalmers were not punished because they hadn't known about it. These days, it's conceivable that the people at the top would have wound up, if not behind bars, at least in country-club federal correctional facilities.

Consider this fact: Businessmen spent more time in jail for price-fixing in 1978 alone than in all the 89 years since the passage of the Sherman Antitrust Act. And how about this for a hair-raiser: The proposed Criminal Code Reform Act, now before Congress, would punish executives not for what they do but for "recklessly" failing to supervise subordinates. The Justice Department has some proposals of its own to punish securities, labor union, government and business fraud. And in March, the Food & Drug Administration will require drugmakers to assign an executive with personal liability for each new product they market. The FBI and Justice are running special task forces to crack down on white-collar crime. Meanwhile, a presidential commission wants to amend the antitrust laws to make it easier to prove attempts to monopolize markets.

With Senator Edward Kennedy now heading the Senate Judiciary Committee, the new populism is bound to come down hard on business in general, and that is sure to mean more liability.

Is all this zeal worthwhile? What degree of enforcement, if any, could have prevented the 1976 explosion at the Long Island City plant of the American Chicle division that killed six people and resulted in four Warner-Lambert Co. executives being indicted for manslaughter and criminally negligent homicide? Or the collapse of the cooling tower scaffolding in West Virginia that killed 51 workers? Or the 30 deaths and the millions in fines from rear-end collisions of Pintos?

In other words, how much money and effort should be spent to prevent what level of losses, injuries and deaths? Probably nobody is going to get to ultimate questions about the value of life. Instead, politics and economics will trade off to create compromise. "It is not clear whether tougher enforcement and increased regulation will be effective in curbing corporate crime," says S. Prakash Sethi, a professor at the University of Texas (Dallas) School of Management, who is writing a book on executive liability. "But it will certainly have other negative effects on social welfare: Senior executives will avoid taking risks with new products and processes, and society

will ultimately have to pay the price."

One thing is clear, however: Ignorance is a luxury a chief executive no longer can afford. To protect himself from the new liability, he must know every facet of his company's business and the regulations governing it.

Listen to Deputy U.S. Attorney General Benjamin Civiletti: "There is certainly an increased effort in not only the antitrust areas but in general criminal law to investigate and prosecute business crimes committed by executives."

Nowhere is the government's campaign more evident than in the Justice Department's antitrust division—especially since 1975, when it became a felony rather than a misdemeanor to violate the antitrust laws. Now, an executive can go to jail for antitrust violations for three years instead of one, and be fined up to $100,000 instead of $50,000. The maximum fine against a corporation was hiked from $50,000 to $1 million. Worse yet, the antitrust division is recommending that the penalty's severity be commensurate with the convicted executive's position in the corporate hierarchy. Then there's the Foreign Corrupt Practices Act of 1977, designed to curb overseas bribes and provide for penalties of up to $1 million for corporations, and $10,000 in fines and five years imprisonment for officers and directors.

No businessman was ever immune to outright fraud. A couple of months ago William E. Grace and Robert D. Rowan resigned their respective positions as chairman and president of Fruehauf Corp. after they were convicted, in 1975, of conspiring to defraud the U.S. government of excise taxes. Both men had originally received six-month jail sentences; now, instead, they will do court-ordered community service work until 1980.

But these days plain old price-fixing seems to be the crime most likely to get you into the slammer. Eleven executives of electric wiring device companies were sentenced recently to prison terms of up to 90 days and fined up to $40,000. In December, seven executives of J. Ray McDermott & Co. and Halliburton Co.'s Brown & Root, Inc. unit were indicted on price-fixing charges, including McDermott CEO Charles L. Graves and Delbert R. Ward, senior vice president at Brown & Root. If convicted they face up to three years in jail. The Justice Department also levied $1 million in fines against both companies, the largest yet in a price-fixing case.

Altogether, 31 people were sentenced to jail in 1978 for antitrust violations, compared with 26 in 1977, and 9 in 1976. Total individual fines in antitrust crime were over $1 million, up almost 40% from 1977, and total corporate fines rose fivefold to $13 million.

The SEC is getting a lot tougher too. The 174 convictions for securities crimes last year almost doubled the 1976 total. Not only officers are being held liable, but directors, auditors, lawyers, brokers and investment bankers as well.

You can now go to jail, too, for many things other than fraud, securities crimes or price-fixing. For violating the Occupational Safety & Health Act, for example. Or the Toxic Substances Control Act, passed in 1976.

Under most of these laws, an executive is liable even if he didn't know of the violation. In a 1975 decision upholding the conviction of John R. Park, president of Acme Markets, Inc., the Supreme Court said Park was responsible for rats in a warehouse because, "by reason of his *position* in the corporation, [he had] authority either to prevent or promptly rect the violation."

Are the courts going too far? Stai Sporkin, the SEC's relentless directo enforcement, doesn't think so. Says "I don't feel society treats the wh collar criminal with the kind of out that it should." But John M. Bray, a mer Justice Department attorney now defends executives, disagrees: " efforts to extend personal criminal lia ity are getting beyond the realm of sonal culpability."

However, Bray and his colleague the bar will be cutting up a huge growing melon in "preventive law." big increase in in-house legal staffs i obvious result of the new threats of fi and jail (FORBES, *Sept. 18, 1978*). Big fits like Du Pont and Dow are hi lawyers to specialize in such fields environmental law. And countless co rations are hiring staffers to do noth but keep them out of trouble.

No wonder. Federal agencies al have doubled their spending on busi regulation since 1974 to more than billion, forcing business to spend billi more to comply. Dow Chemical figu it lays out almost $200 million a y and General Motors has spent maybe billion since 1974.

Big corporate law firms—like Sh man & Sterling and Cravath, Swain Moore in New York—whose mem hardly knew where the criminal co were a few years ago, are hiring training courtroom lawyers. Staying of jail is worth a lot of money.

Now there's another new wrinl management consulting firms brough to run "risk management audits." In f years Booz, Allen & Hamilton's fee come for this service has climbed around $3 million a year. And Arthu Little's has quadrupled in five years.

Allied Chemical, for example, a having paid some $20 million in fi settlements and legal fees in the Kep case, has just undergone a six-month thur D. Little risk audit. In the last th years, Allied has tripled—to 40—its porate environmental staff to mon areas like occupational health and saf product safety and pollution control.

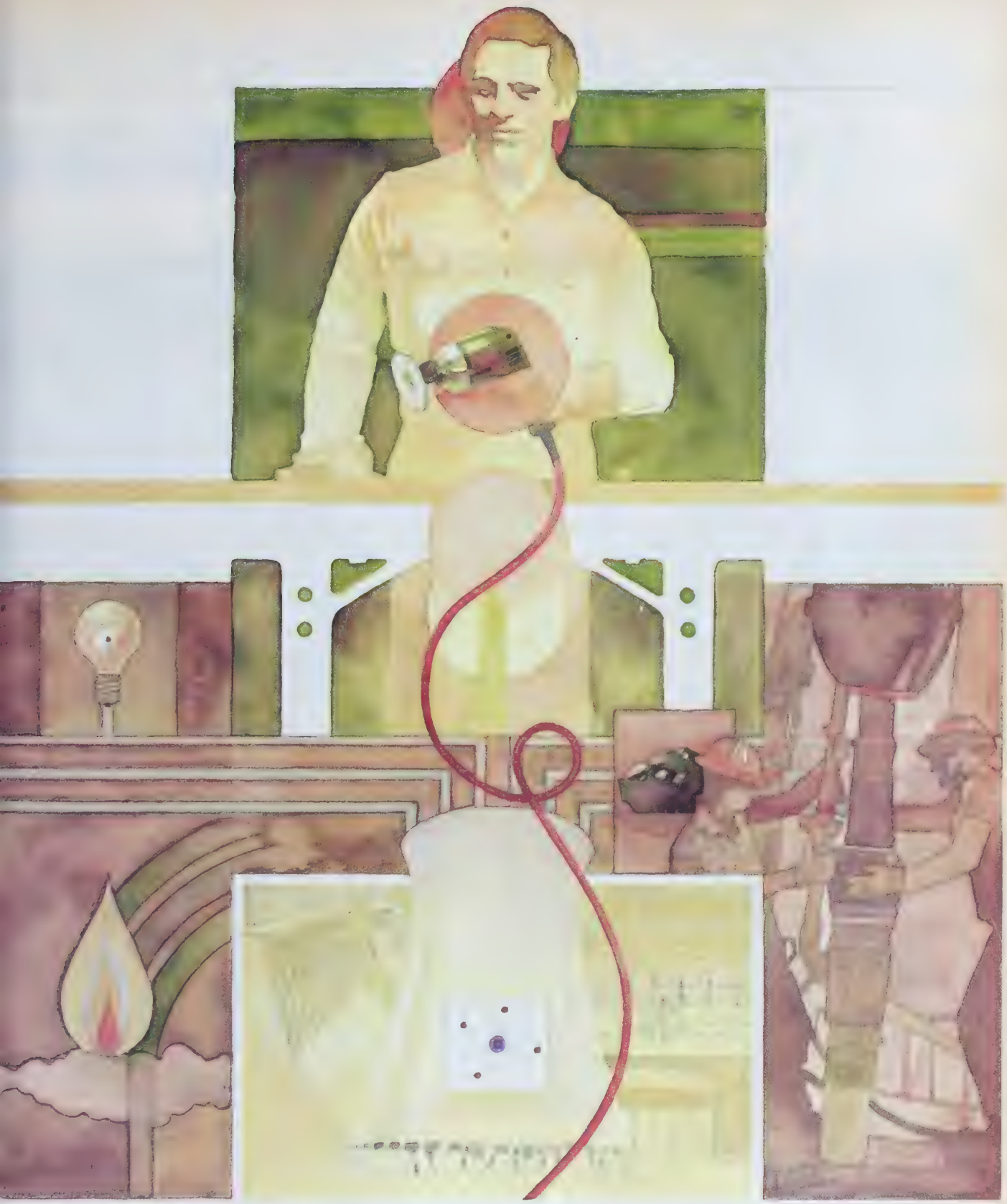
For years, social reformers and left argued that only poor people went jail—white-collar crime, except in most overt and invidious cases, w unpunished. Now the pendulum swinging the other way. Violent cri nals sometimes escape virtually scot-f while otherwise respectable busine men who bend the rules to make a bu are beginning to be severely punished the pendulum swinging too far? Is be overcharged as hurtful as being mugg To argue that it is not, is not to def white-collar crime but simply to r some basic questions about what kin society we want to live in. ■

How to stay out of court (jail?)

A checklist on the new liability for officers and directors from Joseph F. Johnston Jr., chairman of the Practicing Law Institute's seminar on director and officer liability:

- Know the business and financial statements of your company thoroughly. Insist on monthly profit-and-loss statements and comparisons with last year's figures. Appoint an active audit committee—and maybe serve on it.
- Don't let the chief executive "lead you around by the nose"—supervise the management. "This may make some CEOs uncomfortable," says Johnston, "but the board is no longer solely a mechanism for getting rid of an ineffective chief executive."
- Make sure agendas, past minutes, issue briefs and policy statements are sent to you before board meetings. And read them.
- Watch for conflict of interest and self-dealing. Appoint a committee to investigate any alleged misdealings, and get action.
- Develop a comprehensive education program for management, sales and marketing staff that goes beyond traditional antitrust topics to wage and price controls, and health and safety regulations. "Take each area of potential exposure and make sure people think before they act," says Johnston.
- Get insurance. Most directors put this *first* on their list. But it won't keep you out of jail. Policies can't cover fraud, fines and penalties, charges of personal profit and self-dealing. Many don't cover unsuccessful defense costs either.

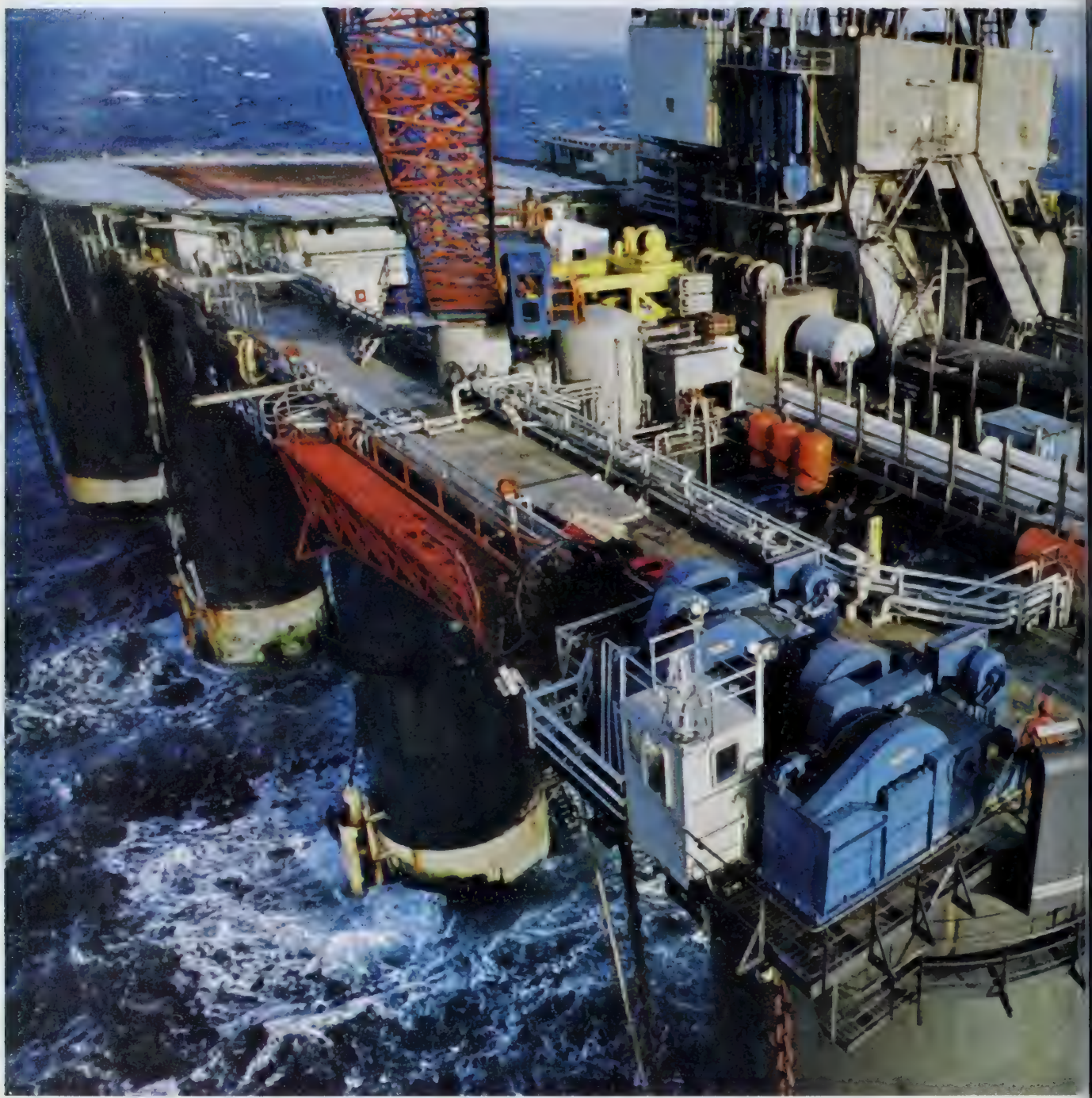
Sums up Johnston: "In a lawsuit, diligence will still be your best defense." **—Christine Miles**



Create. That's what energy does in Arkansas. Whether it's natural gas, nuclear, coal-fired, or hydroelectric, we have the energy to transform natural resources into finished products. And profits. Write us, or call, The Arkansas Industrial Development Commission, State Capitol, Little Rock 72201. 501 371-1121.

ARKANSAS

Drilling equipment bui taps more oil tha



Armco

by an Armco company
any other equipment.

Very likely, the fuels for your car and your home were first freed from the earth by NATIONAL® Drilling Equipment. It's built by Armco's National Supply Company, the recognized leader worldwide.

It is also possible that these fuels took part of their trip to you through production equipment made by National Supply Company and were carried in Armco pipe.

If you think of Armco as a steel company, you aren't wrong —but we're stronger than steel. Armco is strong in other important industrial and financial businesses, too. Providing the best oilfield equipment and service in the world is one of them.

Armco Inc., General Offices, Dept. 98, Middletown, Ohio 45043.

ARMCO

For nearly two centuries Dexter Corp. slumbered, until a seventh-generation descendant of the founder came along.

The first 200 years were a bit slow

By James O'Hanlon

WHEN 212-year-old Dexter Corp., the oldest company listed on the New York Stock Exchange, finally bumped itself onto the FORBES industry survey of the biggest U.S. corporations this year, the inevitable question was: What took Dexter so long?

Founded in 1767, when its Windsor Locks, Conn. headquarters was called Pine Meadow, Dexter has only in the last two decades changed substantially from colonial days when it ran a sawmill along the Connecticut River, scoured wool sheared from local flocks and sold cattle feed to farmers. After its first 191 years it could boast sales of only $9.5 million—glacial growth best. But Dexter was pushed into modern world by the return from W War II of young David L. Coffin seventh-generation descendant founder Seth Dexter, who could longer accept the horse-and-buggy p of the old family firm after the won of the wartime Navy. Says Coffin, 53 and chairman of the $350 mil (sales) corporation, "I saw what modern world was going to be like I wanted our company to be part of

The last 20 years have been quite ferent from the first 191. When the f figures for 1978 are in, Dexter will sh sales of better than $350 million and earnings of well over $20 million (ab $2.35 per share). Both figures repres 10% gains over 1977.

Today, in 100 manufacturing, resea and marketing facilities around world, Dexter makes and sells hundr of products ranging from coatings for insides of beer cans and adhesives for planes to cleaning systems for pou processors and tea bag paper. It is he quartered in a modern concrete and gl slab on the site of Seth Dexter's origi office. Across 129-year-old railr tracks sits the hulking Dexter paper nonwoven-fabric mill that spread up down the Connecticut River bank o two centuries.

Dexter concentrates on develop new materials—particularly specia chemicals—to be used for specific products by manufacturers such as B weiser, Lear Siegler and Thomas J. L ton, Inc. "The materials we produc says Coffin, who has been chairm since the death of his father, Dexter Coffin, in 1966, "generally perform a tal function in a wide variety of produ for a small percentage of their consur costs." That way Dexter finds it eas than, say, U.S. Steel does to pass on pr increases to its customers.

Most of the growth that has tak Dexter from midget status to a place the FORBES list has been internal, Coffin has also made a few key acqu tions. Early on, with the acquisition little Standard Insulation Co. of E Rutherford, N.J., he began Dexter's div sifying away from its dependence slow-growth, capital-intensive nonv ven manufacturing into more resear intensive, specialty manufacturing bu nesses. Says Coffin, "If Dexter had tr to grow purely through nonwovens would be out of business today, lo since absorbed by somebody else."

Coffin has emphasized close custon contact to bring in more busin through the development of new pr ucts. An ex-salesman himself, Cof sees to it that his more than 700 sal men are familiar enough with a custo er's needs to run the machines that D ter products are used on.

Dexter Corp. Chairman David L. Coffin
The seventh son leads an anachronism into the modern age.

plains Coffin, "We go to the market-
e. We find out what a customer
s us to invent, and then we come
to the lab and invent it." That way,
er's Midland division recently de-
ped a high-temperature exterior
ng called Micolon IV for a new line
okware manufactured by the Nordic
division of Northland Aluminum
ucts. Coffin says Micolon IV puts
er into competition with Du Pont's
n. And that's what brought Gates
ber Co. to Dexter's R&D labs last
for a new kind of glass-fiber separa-
paper for its revolutionary high-
ered appliance battery.

t Coffin also has a keen eye for
isitions that fit Dexter's marketing
such as Midland Industrial Finishes
in 1963 that got Dexter into the
strial coatings business, and the Hy-
Corp. of Industry, Calif. Its Hysol
ion recently pulled even with 3M
.'s adhesive bonding segment for
nd place behind American Cyana-
Co. for a share of the $20 million-
market for adhesives that join sup-
structures to jet aircraft.

out five years ago, Coffin and
er's president, Worth Loomis, 55,
rmer financial vice president at
usa Corp., deemphasized expan-
and began concentrating on a
er return on investment. To date,
two executives seem to have suc-
ed admirably, raising Dexter's re-
on investment from a so-so 12%
974 to a very respectable 19.6%
the 12 months ending in last
s third quarter.

th profitability improved, Dexter is
ning its purse strings again. In 1977
de its biggest acquisition ever, a $55
on share-for-share stock trade for
million (sales) Mogul Corp., a Cha-
Falls, Ohio manufacturer of water
ment chemicals that Coffin and
his say they have been attracted to
1967. Coffin and Loomis would
o make more acquisitions, but there
o few related small companies that
Dexter's new requirement of
g return on investment.

here is a recession this year, Dexter
cts to absorb the economic shocks
easily than most companies. "We
our businesses into 26 segments,"
Loomis. "Twenty-two of them are
r first or second in share of their
et." Besides, he says, "About 55%
exter's sales go to industries that
typical economic patterns, like
soft drinks and medical supplies."

w England has long since lost the
n business enterprise to other parts
e country, but the spark of Yankee
uity still burns in David Coffin.
tly but systematically he has built a
company and saved at least one old
enterprise from disappearing into
er or obsolescence. ■

THIS IS ALL IT TAKES TO COLLECT MANY PAST-DUE BILLS.

GC Services Corp., America's most progressive national collection service, has collected over three million delinquent accounts. Chances are we've already collected from many people who owe you money today. And we can get started on your past-due problem for 28¢ per account plus postage, with no contingency fee . . . you keep the entire remittance. If the price sounds right, let's get together. Use this coupon or phone M. D. Peters at (713) 777-7666.

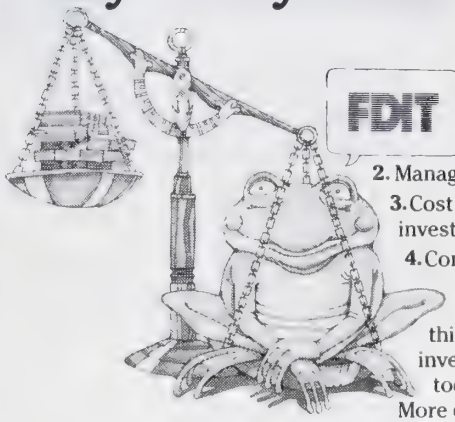
GC Services Corp.

Dept. F, 6330 Gulfton, Houston TX 77081
(713)777-7666.

Please contact me about your collection services costing 28¢ per account plus postage, with no contingency fee.

Name _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone ( ) _____

Before you choose any money market fund, read this.



In particular, Fidelity Daily Income Trust invites a comparison with similar funds on the following key points:

1. High yield (Figures readily available from any fund by phone).
2. Management fee (FDIT's is a low 3/10 of 1%).
3. Cost structure (FDIT distinctly favors investors with $10,000 or more).
4. Constant share value (FDIT has a constant $1 share price).

Compare these key points and we think you'll see why FDIT is an excellent investment choice to take advantage of today's high money market yields. More detailed information on FDIT is yours for a toll-free call. Or when you return the coupon below.

Call Free (800)225-6190 In Mass. Call Collect (617) 726-0650

FDIT Fidelity Daily Income Trust
P.O. Box 832, Dept. JB 020579
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____
Address _____
City _____ State _____ Zip _____
Company _____
Telephone _____
Retirement Plan Information Keogh ☐ 403B

FIDELITY GROUP Over $4 billion of assets under management

"What's it like when all of Madison Square Garden is screaming, 'Gondo, Gondo'? I wish I could bottle it and save it."

—Glen Gondrezick
Professional Basketball Player

"It's fabulous. They never even cheered for me like that in high school or college.

"It's really exciting. It turns me on, and I hope it turns the team on. I remember the time last year when I was at the foul line ready to shoot and, over the loudspeaker, the public-address announcer asked, 'Who's at the line?' and, in unison, everybody yelled, 'Gondo.' I stepped back and looked around to see who they were yelling for. I couldn't believe it was happening for me.

"I take a lot of stuff from my teammates because of the cheering for me, particularly when I'm on the bench and, all of a sudden, the fans start yelling for me to go into the game, but I love it.

"But I know the cheering's not going to last forever. And neither is the kind of money I'm making now. That's why, even though I'm only 23, I'm saving a big percentage of my salary and making the investments now, so that when my basketball career is over and I start my business career at the bottom, my wife and I won't have to face a drastic change in our lifestyle.

"Life is really a joy for Merry and me. We play tennis, snow and water ski, go hiking and backpacking. We buy good wine. We have a really quality stereo system. I have two motorcycles—one street-legal, one for dirt. We're looking at sports cars, an old Ferrari or a new Corvette. Kids are in our future. Merry wants three, I want two. So far we've compromised on two and a half. We travel a lot during the off-season. We spend a lot of time with my family in Boulder, Colorado, where I grew up. A lot of time because there's a lot of family. I have 12 sisters and brothers, and I'm very close to them.

"I guess we pretty much have everything we want. But we don't need that much to be happy. Also, I've seen money turn too many athletes' heads. I don't want it to affect me that way. I hope I never refuse to give a kid an autograph.

"I think what it really comes down to is that I've always felt good about myself and the money doesn't make any difference. I still think I'm a simple kid, and success isn't going to make me feel or act differently.

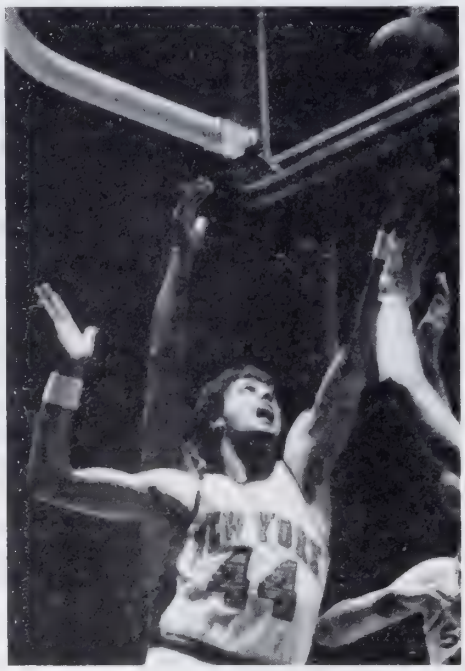
"Do I read PLAYBOY? Doesn't everybody? I've been looking at it for a long time and reading it for the last three years. I feel it's really worth reading. The in-depth interviews are terrific. I use PLAYBOY a lot to learn about products I'm interested in. PLAYBOY compares a lot of products, and that's really helpful. They're more away from the old PLAYBOY image now, more into information and I like that."

Everybody doesn't read PLAYBOY, Glen. But more than 14 million young men like you do every month. Like you because they have the same kind of lust for life and level head you have.

And that's what makes you—and them—one of the most powerful buying forces advertisers to men can find in any one place at any one time anywhere.

And advertisers can reach a lot more of your kind of men—for a lot fewer of their advertising dollars—in PLAYBOY than they can in Time or Newsweek.

A lot more men for a lot less money. That's a very high percentage shot.



The same kind of men who read Time and Newsweek read Playboy. Only a lot more of them read Playboy.

The Playboy reader. His lust is for life.

Source: TGI, Spring 1978. PLAYBOY is a mark of Playboy, Reg. U.S. Pat. Off. © 1979, Playboy.

The game isn't over

tatistical Spotlight

HEN many people thought the take-ames were being doused by federal tion and by Teddy Kennedy's s to have bigness declared badness, comes $4 billion American Express ith a $830 million offer to buy aw-Hill, the giant publisher. Mean- the word from the Capitol was that Kennedy's antitakeover bill had scant chance of passing this session of Congress *(see Trends, p. 8)*. So, apparently, the game isn't over, and 1979 could be another great year for arbitrageurs and for ordinary investors lucky enough to find a takeover candidate before it gets propositioned. Although the Justice Department and FTC will make more trouble this year, the relative cheapness of most stocks remains a spur to tenders.

From management's point of view the best takeovers are the friendly ones. Stockholders do best in unfriendly takeovers because those are the ones where the bidding really gets interesting. However, unfriendly ones are riskier for investors to follow, lest the deal should fall through. For example, Mead Corp. stock dropped more than 20% when Mead management defeated Occidental Petroleum's takeover bid.

At any rate, the game is well worth playing. Last year, investors received premiums of $2 billion over the preoffer market price. The table below lists 40 of 1978's biggest takeovers. In one case, Greyhound's takeover of Verex the premium was way over 100%. Premiums of 40% and more are common. Also common, apparently, are leaks. Note how many of these stocks moved up substantially in the month prior to the announcement of the offer. ■

et—Purchaser	Date of announce-ment	Common stock price: Month before offer	Common stock price: Trading prior to offer	Common stock price: Close on announce-ment	Offer: first	Offer: final	% Premium on final offer	Potential gross profit# (millions)
co–BOC International*†	11/21/77	30¾	33	35¼	40	50	52%	$129.2
BAC–United Technologies**	3/1/78	30½	41⅛	44⅛	48	56¾	38	67.2
erican Medicorp–Humana† **	9/27/77	10⅛	12⅛	14½	16⅞	26⅜	118	134.0
erican Television & Commun–Time* **	12/22/77	31½	31¾	41	49¼	50	57	51.1
omation Inds–General Cable	3/15/78	11½	14⅝	18⅛	20	20	37	30.6
cock & Wilcox–J Ray McDermott* †	8/12/77	42⅝	49⅛	52½	55	62½	27	148.5
d–Thyssen A G	1/6/78(a)	23	24	30⅞	34	34	42	80.0
rier–United Technologies‡	9/18/78	19⅝	20⅛	26¾	28	28	39	133.9
onial Stores–Grand Union	6/29/78	19⅞	23⅞	28⅛	30	35	47	42.3
ler-Hammer–Eaton* † **	6/26/78	51⅝	53	57⅜	58	58	9	22.5
a 100–Northern Telecom* †	6/30/78	16¼	14⅞	17⅞	19¼	20	34	16.9
mond M–Kaneb Services(b)	11/23/77	24⅛	42¼	45¼	51	46⅞	11	12.4
ery Industries–National Distillers* **	11/17/77	18⅝	20¾	22⅝	25	22¼	7	12.2
enmann's–Warner-Lambert	8/28/78	23⅞	27¼	28¼	30	30	10	21.5
gerhut–American Can†	8/14/78	10¼	15¼	17¾	20	20	31	31.8
ng Diamond–Bow Valley*	12/19/78	23	26⅜	27⅝	30	30	14	9.4
pe-Union–Johnson Controls†	5/26/78	30⅝	38	37⅞	40	40	5	12.8
en Giant–Pillsbury‡	9/14/78(a)	22⅞	27½	31½	37¼	37¼	35	17.6
es–Consolidated Foods* ‡	9/14/78	33½	54¾	57½	61	61	11	15.0
nd Container–Time**	5/19/78	28⅜	30¼	31¾	35	35	16	38.0
rpool–Thyssen-Bornemisza	3/16/78	19	21⅛	33¼	40	40	89	37.8
ecki Berylco–Cabot* **	3/20/78	21⅝	24	27⅜	29	29	21	6.0
es Fibre–Arcata**	6/22/78	22½	24¾	26⅛	28½	28½	15	11.6
Cord–Ex-Cell-O**	9/1/77	22	22⅛	28⅛	31	31	40	26.6
Kee–Davy	9/21/78	19	24⅞	31¾	33	33	33	26.0
vyn's–Dayton-Hudson(b)	1/23/78	22½	22	25¼	29⅞	31⅞	45	93.8
uel Moore–Eaton*	4/17/78	13	14¼	19½	20	20	40	15.5
onal Starch–Unilever**	12/1/77	38	44¾	65½	73½	73½	64	189.8
kraft–Johns-Manville† ‡	9/25/78	48⅛	48⅝	54¼	57	65	34	72.1
IC Industries*	6/5/78	40	42⅞	52⅛	54	55	28	88.5
adelphia Life–Tenneco* † (b)	8/25/77	14⅜	17⅛	17⅜	22	21⅝	26	35.1
en-Up–Philip Morris	5/1/78	26	30¾	37½	41	48	56	184.6
–Esmark	3/13/78	13⅞	14⅜	21⅛	22½	22½	57	42.3
or–Northern Telecom(b)	12/3/77	14¼	15¾	19⅛	22	25	59	31.5
Bell–PepsiCo(b)	2/6/78(a)	21⅜	24	28½	36⅛	42⅜	77	64.3
icana Products–Beatrice Foods**	3/4/78	32	33⅞	44⅝	52	52	54	170.4
–Signal Cos*	3/1/78	14⅝	14½	19½	21	21	45	37.1
or–Brunswick**	5/9/78(a)	14½	18½	22	33	33	78	39.2
ex–Greyhound*	1/16/78	14½	12⅝	23⅜	25	30	137	55.6
ght Watchers–H J Heinz	4/23/78	15¼	16⅞	18½	24	24	42	21.4

chaser acquired stock in target prior to offer. †Rival suitor. ** Cash or exchange for another security. ‡ Tender offer completed; merger pending.
nal offer less price prior to announcement multiplied by shares accepted by purchaser. (a) Merger talks announced; purchaser not identified at that time.
xchange of shares.

Here's a game only the brave will play. Eight stock pickers stick their necks out and choose a single stock for 1979.

If you could love only one

The Streetwalker

IF YOU COULD BUY just one stock—one only—which would it be? That was a question we put to a bunch of moneymen in 1976 and 1977. Truth to tell, we had trouble eliciting replies: Like everybody else, stock pickers prefer staying off partly sawed limbs. But we did find ten brave souls, and this seems like a good time to revisit their old predictions and elicit some new ones.

In May 1976, we had nine seers picking nine stocks.

Let's start with *Ronald Strauss,* now with Chicago's William Blair & Co. Strauss picked a conglomerate, Loews Corp. He liked Loews because he felt it would profit nicely from its then recent and cheap acquisition of CNA. Score one for Ron Strauss: Loews is up 48% in a market down by 18%.

Strauss' favorite now: Merry Cos. of Augusta, Ga., the third largest brick company. He looks for earnings of $3 in 1979 and $4 in 1980, as this onetime regional producer continues to expand nationally. At 11 a share o-t-c, Merry sells for just 3.7 times earnings.

Frank Parrish Jr. runs the income growth group of Boston's Fidelity Management. In 1976 he picked Missouri Pacific Corp. It's up 42%, not bad in a market decline of 18%. Parrish's choice this year is Financial Federation (NYSE). "Savings and loans are selling at low price/earnings ratios, have good yields and sell below book value." He thinks earnings will be $6.25 to $6.30 in 1979. At a current price of 24⅝, that's a multiple of only 4. An acquisition candidate, too.

Robert Wade Jr., formerly of Drexel Burnham Lambert, now president of San Francisco's Crocker Investment Management, picked IBM back in 1976. Not bad: up 21%. Wade says he still likes IBM but no longer has the stomach and heart to play the single stock game again. Sorry then, no Wade pick for 1979.

The same with *Kevin J. Bradley,* who has shifted from Bache to become chairman of Travelers Investment Management Co. He picked Data General, up 8%. "Gee, I was pretty smart," he says. "I'm not sure I'm that smart today." So no Bradley pick for 1979.

Leslie Pollack, Shearson Management Inc.'s chairman, picked Blue Bell, the apparel manufacturer, which he thought would double. Actually it dropped 10%. But to Pollack's credit, he's willing to try again. His 1979 pick—Syntex, traded on the American Stock Exchange. Formerly built around the Pill, now Syntex has become a broader drug company. For the fiscal year which ends July 31, 1979 Pollack estimates per-share earnings over $4. At the recent stock price of 35, that's a price/earnings ratio of 9—dirt cheap for a growth stock.

Robert M. Hanisee, director of institutional research at Los Angeles' Crowell, Weedon & Co., picked Hewlett-Packard at 106 and saw it decline 14%, to 91—no disaster but a disappointment all the same. He still likes Hewlett-Packard; however, Hanisee's favorite now is Watkins-Johnson, a smallish Big Board defense-related company with sales of about $108 million. He sees Watkins-Johnson's earnings recovering this year from a bad 1978—to $2.50, a multiple of 6.4 based on the current price of 16. By the way, don't hold H-P against Hanisee: He was one of the few bulls on Teledyne when nearly everyone else scorned it.

John Doherty is research director of San Francisco-based Sutro & Co. His now retired predecessor at Sutro picked Northern Telecom—alas, down 19%. Doherty likes IBM. "Why? Because the quality growth sector of the market is going to be the leader in 1979 and IBM is its leader. I look for $23.50 earnings in 1979 on the old stock, $5.88 on the new."

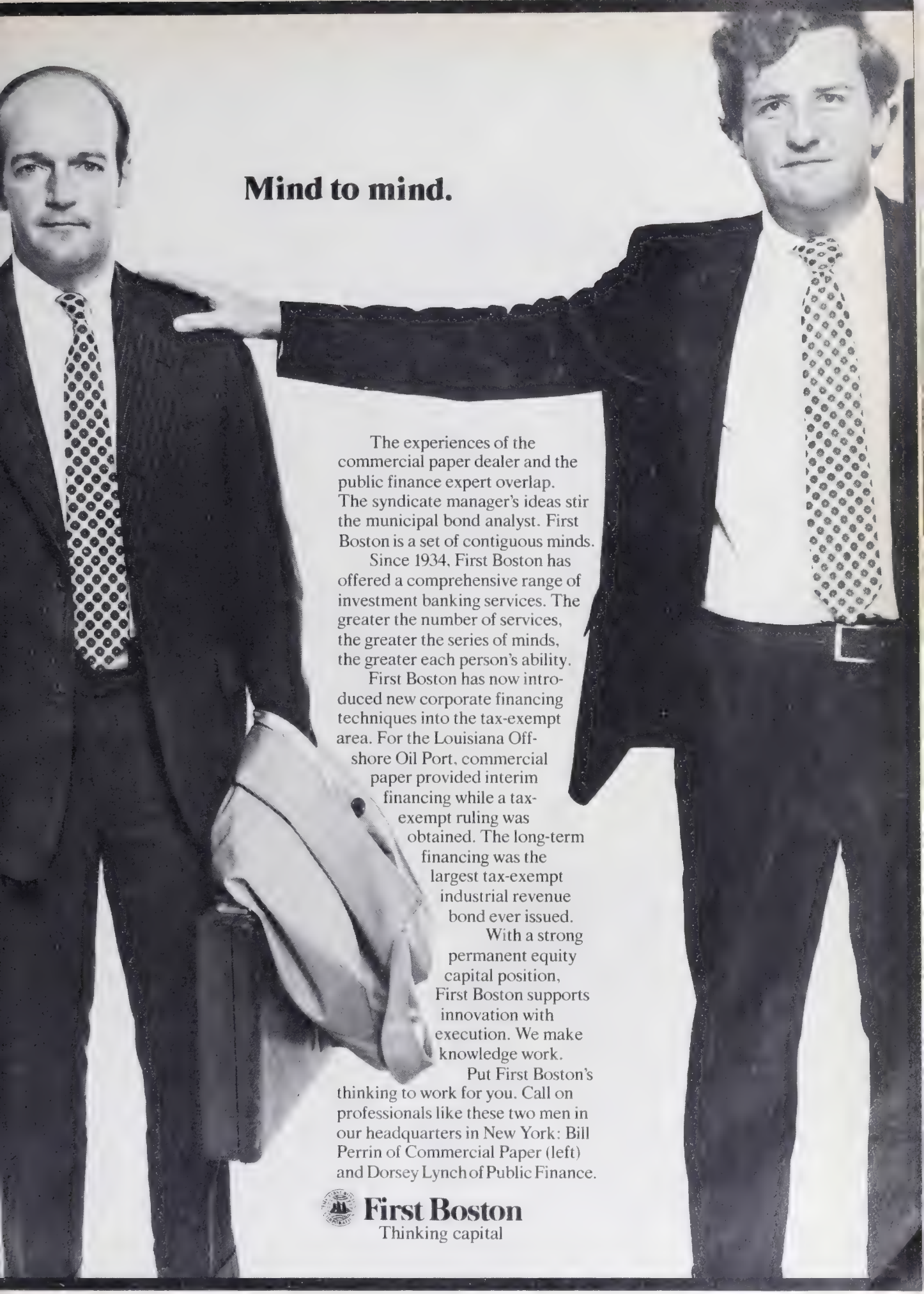
In 1976 *Robert H. Stovall,* director of investment policy for Dean Witter Reynolds, picked Merrill Lynch—down 36%. While Stovall still likes Merrill L (FORBES, *Dec. 25, 1978*), he choose his stock of this year Schering-Pl (NYSE). Schering, which should $4.05 in 1979, currently sells at 30 P/E is 7.4, the yield 4%. It's valued l cyclical company," Stovall says, "v in fact it's more like a defensive gr company."

The biggest loser among the stock pickers was *Robert Archibald* search director at Los Angeles' Bat Eichler, Hill Richards. Back in 197 chibald picked House of Fabrics, a fabric store operator. It was then now it is 5⅞, down 40%, and h longer thinks it's a buy. Undaunte has a favorite for 1979: Oak Industr Crystal Lake, Ill. electronics com Oak operates cable TV systems makes hardware for them. "Pay Archibald says, "has been aroun about 20 years and nobody has ever made it work before. Oak has com with a system that's superior to anyt available right now and they have financial resources to make it w They'll earn $1.85 this year but have the potential to earn upwards o a share by the mid-Eighties." At current price of 17¾ per share, would work out to 1.2 times th bucks—*if* Oak makes it.

We've saved for the last our fav moneyman, *John Templeton* (FORBES, *27, 1978*). In May 1977, Templeton played our game, when the Dow, at was 12% higher than today. He sel a Canadian construction company, West Development Corp. Ltd., then ing at a little over 5, adjusted for s splits. It recently sold at 14, a ga 180%. Pretty impressive.

Naturally, you'll want to know Templeton's favorite is today. Okay tachi, Ltd., the Japanese electronics pany. "In Japan," Templeton says, average stock has a price/earnings of 27 and Hitachi's is only 8." The re Hitachi lags the market, Templeto plains, is that it has been volunt consolidating its earnings, and Japa investors aren't accustomed to co dated earnings and don't know ho value them. Hitachi's American de tary receipts sell at 53 and will earn for the fiscal year which ends month. Templeton expects a move within a few months. Now other co nies are required to consolidate earnings too. At even *half* the ty Japanese P/E, Hitachi would sell higher than it does now.

Here's a thought. While it's true only half of the old favorites were ners, a bit of arithmetic produces interesting fact: Had you put $1,0 each of the ten favorites, your $1 would now be worth $11,664. The s amount invested in the DJI woul worth only $8,200. ■



Mind to mind.

The experiences of the commercial paper dealer and the public finance expert overlap. The syndicate manager's ideas stir the municipal bond analyst. First Boston is a set of contiguous minds.

Since 1934, First Boston has offered a comprehensive range of investment banking services. The greater the number of services, the greater the series of minds, the greater each person's ability.

First Boston has now introduced new corporate financing techniques into the tax-exempt area. For the Louisiana Offshore Oil Port, commercial paper provided interim financing while a tax-exempt ruling was obtained. The long-term financing was the largest tax-exempt industrial revenue bond ever issued.

With a strong permanent equity capital position, First Boston supports innovation with execution. We make knowledge work.

Put First Boston's thinking to work for you. Call on professionals like these two men in our headquarters in New York: Bill Perrin of Commercial Paper (left) and Dorsey Lynch of Public Finance.

First Boston
Thinking capital

What do you do after you've become the world's largest advertising company? In the case of Interpublic you regret that you still have only 3% of the market and go for more.

Mastering a difficult blend

INTERPUBLIC GROUP OF COS., INC. was an idea whose time had not yet come in the late Sixties. It was the brainchild of Marion Harper, a man of panache and vision, but little managerial ability. Harper wanted to do in advertising in the Sixties what General Motors founder William C. Durant achieved in autos in the Twenties: to build through countless mergers a company that would dominate its industry. Like Durant, Harper achieved it all except for one thing: He couldn't make it profitable. Accustomed to thinking in billions, in grand concepts, he tended to forget that payrolls had to be met, rents paid. By 1967 Interpublic was handling $700 million in advertising but was near insolvency.

Carl Spielvogel, now vice chairman of administration, recalls coming out of a meeting with investment bankers Wall Street who offered a paltry $5 i lion for half the company. "While were buying subway tokens for the back uptown," says Spielvogel, "we w dered whether the money would cc through fast enough to meet Frid payroll." The deal fell through. A months later Harper was ousted.

Interpublic could have been a Madi Avenue version of Penn Central. Onl wasn't and those who recognized t fact *(see box)* would profit handsomel decade later, under businesslike man ment, Harper's dream is working bea fully. Worldwide, Interpublic's com nent agencies placed $2 billion wort advertising last year, twice as muc each of its two biggest rivals, the U.S Walter Thompson and Japan's Den Interpublic's fee income hit $248 mil and net profits $14 million—$3.8 common share. These were numbers dreamed of in advertising a decade For investors who saw their stock se 5 as recently as 1974, the triumph sweet indeed. It now sells at around and pays $1.60 in annual dividends.

"This is no longer a country-club b ness," says Paul Foley, 64, Interpub balding, ruddy-faced chairman. "It

Paul Foley, left, and Philip Geier of Interpublic
They built a grand concept into advertising's General Motors instead of its Penn Central.

What is NCR up to now?

e're up to umber one in upermarket rminal ystems.

r groceries, very y, were checked this week on an R electronic cash ster. Since we sell more than one else with r 159,000 alled in 108 ntries, the s are in our r.

eader in nning—Perhaps r food items were ng up" automati- y, by an NCR scan- g system. The Food rket Institute Monthly wsletter verifies that NCR has largest customer base for versal Product Code nning systems.

NCR scanning systems are being alled at a faster rate than any other l. No wonder: according to Inter- onal Data Corporation, we have plied approximately 60% of all food e terminals which can be upgraded canning.

ailers depend on NCR systems— are we up to number one in super- ket terminal systems? Executives of npanies such as A & P, Lucky Stores, lix and Winn-Dixie helped put us there.

They depend on NCR systems for up-to-the-minute management reports, precise inventory levels and improved employee productivity.

Providing business equipment for 95 years—But helping supermarkets fight rising costs is nothing new for NCR. We've been doing it since the very beginning of self-service shopping. In fact, we've been in business for 95 years.

16,000 people in support—Supermarket owners look for this kind of experience when they choose an EDP system. And they look for support. NCR supplies it, with 16,000 highly trained field engineers around the world.

This global support network is especially important to companies with plans for expansion.

Retailing is just one of the fields where NCR is the leader. We're also up to management's most demanding requirements in financial, commercial, industrial, health-care, education and government markets.

Now you know why NCR is a world leader in general-purpose computer systems.

NCR
Complete Computer Systems

The Liability Thr

The attitude that the professional can do no wrong has been swept away by a tide of changing public opinion; by rising expectations about the quality and performance of services. As exposure to liability increases, professionals are re-examining their needs for broader insurance protection.

A brief review by INA of an insurance topic of current interest.

While the press and television have given wide coverage to the dramatic rise in medical malpractice cases, a less publicized—but equally serious—situation exists for professionals in other fields.

No longer immune from the threat of malpractice claims are such groups as attorneys, accountants, architects, engineers and building contractors. The last decade has also seen a marked increase in actions against real estate brokers, travel agents and many others providing personal services.

Underlying this trend is the growing public conviction—fostered in part by publicity and social pressure—that it is justifiable to "cash in" on a professional's alleged errors. And cash in heavily.

Attorneys under increasing pressure

The number of claims against attorneys and legal firms has doubled in the last 15 years. In 1977, it is estimated that approximately 15,000 malpractice cases came to trial or were settled out of court. And over the past two years the average award against lawyers has risen by 200%—to about $28,000.

One important factor in the growth of legal malpractice actions is the fact that lawyers themselves are suing and testifying against their fellow professionals—a phenomenon almost unheard-of a number of years ago.

This pattern of events not only affects the availability and cost of liability insurance for attorneys, but also has an impact on their fee structures. Defending litigation can now cost as much as $2,000 a day.

Other professions equally hard hit

In architecture and engineering, studies show a 20% annual increase in the number of malpractice suits. Awards for design and construction failures have tripled since 1960; from an average of about $5,000 each to

t to Professionals

ll over $16,000 in 1977.

Multi-million dollar judg-nts are no longer uncommon the building field. And a pro-eration of government regula-ns leaves the design and engi-ering professional exposed to ks that were not even imagin-e a decade ago.

Similar patterns exist in ac-unting, in tax work and in real ate—where agents have been ed by sellers who feel they did t get high enough prices. In the nployment-agency field, clients ve filed suit for the alleged "un-isfactory performance" of new nployees.

Loss-control steps

The safety procedures com-nly used by businesses and dustry can hardly be applied in st professional fields, but a mber of positive programs are der way. In the legal field, cial courses are available for orneys dealing with the com-xities of government regula-ns. Docket-control procedures used to assure compliance with court-calendar dates. In addition, the American Bar Association is studying increased litigiousness among attorneys—and is considering the possibility of legislative remedies to limit awards in malpractice cases.

Accounting firms are scrutinizing with greater care the financial practices of clients and the reports of their auditors and officers. New caution is being applied in tax-preparation, and in matters relating to the new ERISA law.

In design and engineering, greater stress is placed on evaluating the financial underpinnings of proposed projects—in order to avoid the "thin-money" deals where suits may be brought to deny the professional his fees.

Controlling insurance costs

Within most professional fields, concepts such as self-insuring and establishing captive insurance firms are only in the formative stages. However, a number of state bar associations sponsor liability insurance packages to individual attorneys and law firms. And there are instances of pooling and other cooperative action by accounting firms to secure lower premiums.

In recognition of the professional's increasing exposure to liability and financial loss, INA has formed a special division to handle their complex insurance needs. Through this division, INAX Underwriting Agency, coverage can be arranged for a wide range of individual practitioners and professional firms.

* * * * *

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance and financial services companies. In property and casualty insurance and risk management services, life and group insurance, health care management, and investment banking, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on current trends in professional liability, write INA Corporation, 1600 Arch Street, Philadelphia, Pa. 19101.

"Plumber" seeks $10,000,000 for lawyer's leaks

In a recent notable case, a convicted Watergate defendant sued his former lawyer for $10 million alleging that errors had been committed by leaking confidential material to "third parties." This would underline the growing need for law firms to make sure that evidentiary material is kept under tight security —even beyond the statute-of-limitations period for malpractice actions.

INA

The Professionals

Before long, lovers of macadamia nuts will have more to love.

Thanks to the green thumb of IU's C. Brewer and Company.

If you've ever tasted macadamia nuts at a party or on an airplane, you know they're deliciously distinctive. And although macadamias cost more than other nuts, nut lovers are consuming them faster than Hawaiian orchards can grow them.

C. Brewer and Company, the world's largest producer and marketer of macadamias, will more than double the size of its orchards during the next five years. Planting 88 trees per acre, Brewer will add another 5,000 acres to the 4,000 acres already devoted to macadamias.

To people everywhere, the crisp and delicately sweet flavor of macadamias makes them a welcome treat. And if you haven't tasted these exotic nuts, we invite you to try Brewer's Mauna Loa® brand.

Macadamia nuts are just one of the diversified businesses of C. Brewer, an agribusiness company whose products include sugar, spices, molasses, guava, rice, prawns and fertilizers. C. Brewer also aids many developing countries through agronomics consulting, engineering and management.

C. Brewer is another important part of IU International, a company with worldwide interests in land transportation, ocean shipping, utilities, industrial products and services, distribution and agribusiness that add up to $2.5 billion in annual revenues.

For further information about macadamia nuts, write Dennis A. Balint, Vice President-Marketing, Mauna Loa Macadamia Nuts, 875 Johnson Ferry Road, N.E., Atlanta, GA 30342. Or write John W. A. Buyers, President of C. Brewer and Company, 827 Fort Street, Honolulu, HI 96805.

To learn more about IU, write Corporate Affairs, IU International, 1500 Walnut Street, Philadelphia, PA 19102.

IU International

usiness now—where clients don't accounts on whim or because of ne relationships. Those days have eared."

er Robert E. Healy, Foley's prede- who was brought back from Gene- e pell-mell expansion was halted ne rescue launched. Interpublic's nployees loaned the company $3.5 n in return for convertible deben- This, along with $10 million in oans and prepayment of commis- by some of its clients, allowed In- lic to go public in 1971, raising an nal $7 million.

n profitability returning, Foley ver as chairman in 1973. A former ated Press newsman who had d his way up through the ranks at nn-Erickson Inc., Interpublic's big- gency, Foley started expanding and, so far, the old problems t recurred. Interpublic's pretax in- as a percentage of commissions rom 4% in 1970 to 13% last year. ok value per share has climbed 5.75 to $20.

Interpublic is a true international ny, not just a big home office with t executives in the field. With its ition this spring of the SSC&B (whose billings alone total over illion), Interpublic's five agencies ve 141 offices in 47 countries. In addition to SSC&B, its agencies include: McCann-Erickson Inc., Campbell-Ewald Inc., The Marschalk Co., Inc. and Erwin Wasey, Inc. Among their clients: Coca-Cola, Exxon and General Motors.

In many ways, the holding company concept does work like General Motors: Just as Chevrolet, Buick and Pontiac compete with each other, one of Interpublic's agencies can take on an account that competes with the client of another Interpublic agency. And Interpublic is big enough to service multinational clients on a global basis. So its growth has in some cases paralleled that of its clients: Exxon has been a McCann client for 67 years; Coca-Cola and Buick, more than 20 years. But the disadvantage of this structure has been higher overhead and thinner margins than competitors like Doyle Dane Bernbach, BBDO and Ogilvy & Mather. Foley is confident economies of scale eventually will prevail. But if that is to be so, the company must continue to grow. In fact, to meet his goal of a 15% annual increase in net income, revenues will have to increase by at least 12% annually, Foley says.

The $35 million SSC&B acquisition is part of this strategy. Its domestic client list includes American Brands, Bristol-Meyers, Johnson & Johnson and Sterling Drug. It owns 49% of the International Lintas network as well. The Interpublic deal will provide SSC&B the cash it needs to buy out the 51% of Lintas still owned by Unilever, the British-Dutch conglomerate. Raising the money is no problem. With little long-term debt, Interpublic went into 1978 with nearly $40 million in cash and probably came out with a great deal more.

Foley believes international markets offer the greatest potential, especially giant "emerging consumer societies" like Brazil. The acquisition of SSC&B—which gets about 60% of its revenues overseas—will substantially increase Interpublic's foreign business, which already accounts for over half its earnings.

Best of all, Interpublic still has plenty of room to grow. Worldwide advertising increased 20% last year to $85 billion (slightly more than double the dollars spent in the U.S.). Interpublic has only about 3% of the market so it can easily gain market share without frightening anybody's trustbusters.

Foley joined McCann-Erickson's Detroit office in 1955. He moved up the ranks to CEO of McCann in 1968 and of Interpublic in 1973. His heir apparent is Philip Geier, 43, a stocky numbers man, who places great emphasis on financial controls. Interpublic seems to have mastered the difficult blending of creativity and cost-accounting that it takes to manage great size in business. ■

Media buff

e many Americans, Warren E. Buffett is fascinated with the press. s fascination has made the already wealthy Nebraskan investor con- erably wealthier. After compiling a truly spectacular record between 7 and 1969, this latter-day disciple of Benjamin Graham quit: The rket was too high. But in the early Seventies, when media stocks were much in favor, Buffett began acquiring them in large quantities ough his insurance holding company, Berkshire Hathaway Inc., head- rtered in his hometown of Omaha. Buffett owns 47% of its stock.

Know what you own and own a lot of it," Buffett says, and for the last years he has followed his own advice so far as press, advertising and adcasting are concerned. First he bought his own newspaper, his local aha *Sun*. Berkshire Hathaway proceeded to invest 25% of its $300 lion portfolio in media stocks while Buffett began serving on the rd of the Washington Post Co. As he often does, Buffett hit a jackpot. ended up with 1.8 million shares of that company, 11% of the stock, as much as the controlling Graham family. He paid around 6 in 1973; shares split at about 40 and the new shares are at 26 now. He umulated 350,000 shares—or 8%— of advertising's Ogilvy & Mather rnational, Inc. at around 8 in 1974; current price, 22. He put chunks of n in Capital Cities Communications Inc., Knight-Ridder Newspapers, , Media General Inc., Multimedia Inc. and Affiliated Publications Inc. en these stocks were much cheaper than they are now. In 1977 he laid $32 million to buy the Buffalo *Evening News*.

nd Buffett's Berkshire Hathaway is, far and away, Interpublic's big- holder, with 16% of the stock.

there a conflict of interest here? The same man controlling big ad ncies and many of the media that ad agencies use at the same time? ett insists there's no conflict. "Aside from the Buffalo and Omaha ers," he says, "we never try to influence management decisions."

it about time for him to take some of those handsome profits? dently not. "We buy businesses with strong long-term prospects run nonest and competent people at prices we consider attractive and hold o them for a long time," Buffett says. Now that's the kind of stock- der every capable management loves.

Berkshire Hathaway's Warren E. Buffett
"Know what you own and own a lot of it."

There is nothing temporary about the $2 billion temporary person business. It seems to be here to stay. But it does have its ups a downs—and trouble may lie ahead.

A cushion for business

By Howard Rudnitsky

THEY TABULATE the votes in proxy fights. They check fish contamination in the Hudson River. They work as accountants, nurses, legal secretaries, telephone salespeople. Last Christmas you might have seen them dressed up like Santa Claus, demonstrating Polaroid's new instant movies.

They're temporary workers—part of the estimated 2 million persons annually, mostly women, placed in short-term jobs by temporary-help firms, a $2 billion business that may be the ultimate service industry. It has little fixed assets, capital investment or permanent commitments. It works well with franchising. It's as disconnected as a Fellini movie—the very model of the modern post-industrial business enterprise.

Fifteen years ago, the temporary firms grossed an estimated $160 million and employed under 400,000 people; since then, "temps" numbers have been growing over three times faster than overall U.S. employment rolls. Of course, a typical temp may make under $1,500 a year, since most work infrequently, and many do not put in a 40-hour week.

Interestingly, there is no real long-term shortage of potential help, especially with the influx of women and retirees into the work market.

Last year was an especially good one for the business, with revenue growth of about 17%, well ahead of normal. There are now more than 2,000 temporary-help offices around the country, ranging from domestic industry leaders like Kelly Services, Inc. and Manpower Inc., 85% owned by Parker Pen Co., to tiny local firms that an entrepreneur with a little cash can set up easily. Says one: "You just hang up a shingle, rent an office, get some telephones and a secretary, put out some ads, and you're in business."

Right now, nearly all of them are making money. The best estimates are that the industry earned about $100 million last year, up about 30% from 1977. Over 40% was from ten industry leaders.

Worldwide, Manpower (about $10 million net on $600 million sales) is number one. Number two is Kelly Services, a publicly owned company that will net around $13 million on sales of $265 million in its 1978 fiscal year. Olsten Corp. and Staff Builders are also public.

Return on total capital runs from 23% to 33%—more for privately owned firms—and the industry leaders have good balance sheets. For example, Olsten ($100 million sales) has nearly $10 million in cash and virtually no long-term debt. Kelly has $15 million and Manpower can lean on Parker's cash hoard of nearly $17 million. A number of sizable fortunes have been created by the temporary-help business, including the Kelly family's $30 million and over $15 million for Manpower's founding Scheinfeld and Winter families and its current president, former public relations agent Mitchell S. Fromstein.

Little wonder then that last August, another service-industry multimillionaire, Henry Bloch of H&R Block, paid $22 million in cash, notes and stock to acquire Personnel Pool of America, Inc. with 180 offices. Or that Greyhound Corp., Colonial Penn Corp. and Parker have all acquired temporary help companies over the last four years. One of Europe's largest temporaries, Adia Temporary Services, Inc., in 1975 and 1976 bought two firms with 85 U.S. offices; today Adia has 115 offices here.

This is a onetime cottage industry whose time has come. For businessmen, burdened with labor costs, it offers certain irresistible benefits. It enables them to handle peak demand without having to carry regular employees through slack periods. Why employ people on a year-round basis to handle seasonal or temporary bulges in the work load?

Then there is the matter of fringes, currently running around 40% of payrolls. A "temp" may make more on an hourly basis, but the total wage i quently less when the employer i lieved of fringe benefit costs. No leave. No pension costs. Argues the of one New York temporary firm: ing temporaries often can enable ar ployer to reduce expenses by more $1 an hour per employee—becau savings on payroll taxes and benefit

Take insurance companies like necticut General Insurance Corp., and Equitable Life Assurance So among others. Labor costs in gener soaring and turnover of lower ecl clerical help has accelerated from a erage three years to one year. Acco to one temporary-help top execu "That's one reason they are increas turning to temporary help as a cost trol measure."

Too, at a time when employmen bility is a major issue, temps can b on or laid off without causing r problems. Letting one go is not ex like zapping good old Joe who's with the company for 30 years. N pensive aftercosts, either, which m it attractive to multinationals. Say executive: "It's not that easy to le manent people go, especially al where you have to pay dearly in s ance." That's one reason a firm Manpower gets about half its p from outside the U.S., and Switzerl Adia is a true multinational itself.

Think of the manpower agencies kind of cushion for many busine Which, of course, makes the bus highly cyclical.

In a recession part-timers are the to be laid off. The last recession was says Manpower's Fromstein: "We c see it coming." The recession drove its down by 50% from the peak in 74, at just about the time Parker took over.

Manpower and its peers survived other companies have died like ma in a recession. So some are maki while they can. Though they don

for a large part of the industry, are some fly-by-nights practicing s creative ploys. For example: he bounty hunters. Once you have ted some temporary workers, offer cash payments for convincing oth- join the fold. Says one Miami tem- -help franchiser: "Some firms of- to 50 cents an hour in bounties, y taking it out of the new recruit's . He doesn't realize he's being d—and he can always get a bounty lf for bringing in someone else." he "liquidated damages" game. orary firms aren't supposed to op- like full-time employment agen- olacing people permanently in re- or a cut of their first few months' . But some do it anyway in periods ng employment, sometimes raid- her firms for bodies to replenish pleted manpower pool. he old bait and switch. Says Terry ard, 31, manager at one of Adia's in Cleveland: "I picked up the the other day and there was an ad temporary agency offering $8 an or key punch operators; the indus- e in Cleveland is $3.50 to $4 an Result: When the temporary r shows up he's told that all the nch jobs are filled, and switched to ning less remunerative. re is other hanky-panky. Says "Most people in this business are , but there are some who advertise ively, don't pay their people prop- ometimes they don't deduct the ind of wages or carry proper insur- r bonding." is seven years in the business, nas seen a lot. His employer prior joining Adia, Efficient Extras, fold- y last year. Says Ward: "They tried v the company too quickly—open- ices too soon, adding staff, bring- a computer that wasn't necessary. mpany got heavily into debt, and the bank refused to lend it any he firm couldn't meet the temps' and checks were bouncing all ne place." act, the treatment of the workers elves during a crunch is one of the esses of the industry. When a tem- -help firm folds, the workers elves sometimes don't get paid— trast to the bankruptcy of a com- vith permanent employees, which st pays them off before trying to ts other obligations. ry to combat some of these prob- nd burnish the industry's reputa- ne National Association of Tempo- ervices was founded in 1966. It ots, among other things, to moni- members and keep the industry lly free of scandal. Toward that s Cleveland chapter recently tried out some temps who weren't paid Ward's former firm folded. But there it faced a potential problem—by paying the workers directly, they might have had to pay other creditors as well. Instead they kicked a few dollars into a legal fund. In the meantime, the owner of the dissolved firm is trying to drum up business under another name.

Cost-cutting is a continual temptation to some smaller firms, which live in more or less perpetual insecurity because of the way the business works: The temporary-help firm typically pays its workers once a week but collects from its customers once a month. So, many have to finance their receivables. That's no particular problem for a company with a

Temporary success

Many of the 2,000 temporary-help offices are franchises of big chains like Manpower and Kelly Services. Two-thirds of such franchise offices are run by women who typically make about $25,000 to $30,000 a year.

But the real money is in owning your own franchise or starting your own firm. Here men predominate—considerably fewer than one in five women run their own show—a disparity that may narrow in the future as more women move into entrepreneurial ranks. Below, three who have made it in the temporary business.

Boom, bust and back

When Bill Tasillo started running his Manpower franchise in Miami, Fla. in the early 1960s, only two other firms were in the temp business in the area. For a while it appeared that was two too many and he figured he should have stayed up north in Hartford, Conn., trying his hand at selling office calculators or playing trumpet in a band, Tasillo's former vocations.

At first, Bill Tasillo recalls, business was lousy. Gradually, however, tourism and travel boomed. By the late 1960s Tasillo and a partner who had earlier made money in the insurance business started to earn good money. "Unfortunately our prosperity also brought competition," says Tasillo. "In one year alone, in 1968, some 24 firms started up."

Then business slumped in 1970 and there was a shakeout. "But that was mild compared with the way the Miami area got hit by the sharp 1975 recession," Tasillo recalls. "It was brutal. Some firms went out of business, while others shrank dramatically. I had to really tighten my belt, cut costs and I even had to let go of some of my permanent help."

Tasillo managed to ride out the recession and come up with enough money to buy out his "absentee" partner, who had had enough. Says Tasillo, "I gambled that the economy would recover." It did. Now Tasillo, 45, who originally bought in for about $10,000, owns all of the franchise, with three offices in Dade and Broward counties, worth about 15 times that.

And now Tasillo can afford to hire his own band. **—H.R.**

Just for a lark

Nineteen years ago Edith Silverman, a high school graduate, decided she had had enough of the working world and left her job as a legal secretary.

Today, she and her sister, Lee Silverman, are co-owners of Le-Gals, a temporary office-worker firm in Cleveland (which also does some permanent placement) that employs 11 full-time workers and one part-time worker of its own and does well enough to pay each sister $100,000 a year in salary.

Not bad for an enterprise that, according to Edith Silverman, began "more as a lark than anything else." After she retired, she occasionally filled in for sick or vacationing secretaries for her former employers. "I found myself being called more and more often," she recalls. "Eventually I was calling my friends and asking them to help out." Soon she was spending so much time at it that she decided she ought to be paid. Somewhat reluctantly, she opened an office.

One of the keys to Silverman's success has been specialization. "I deal primarily with legal secretaries and

that cuts down on many problems that afflict general-help temp agencies," she says. In addition, her specialized temps bring higher wages than most temps, averaging between $4 and $6 an hour—after Silverman has taken her cut. Not bad for a retired, and reluctant, legal secretary.

—Richard Greene

"I like the concept"

"I was bouncing all over the place—sales jobs, selling insurance—you name it," says Burtis J. Dolan, now 54, the first Olsten Temps franchisee in Chicago and one of the most successful in the country .

A Holy Cross graduate in business administration, Burt Dolan recalls, "I read an article about Culligan Corp. in a magazine. I became intrigued with the concept of franchises as a means for someone with little capital to become an entrepreneur."

After a series of flops and limited success, Dolan in 1961 decided to buy a Manpower or Kelly Services franchise: "I liked the concept of the temporary-help business. It didn't need much capital, there are no inventories or raw materials and no union problems." Unfortunately others had already gotten there first.

Then Dolan saw a 1-inch advertisement in the *Wall Street Journal* for Olsten, an eastern firm looking to franchise in the Midwest. "For around $20,000—partly borrowed," Dolan was in business in 1962.

"I hit the pavements," says Dolan, "and started looking for clients. Frankly I found out who my competitors were using and I sold them my services." Success presented a problem—lack of working capital to carry his receivables. So he went to Olsten again: "They financed my receivables until I could go it alone."

Now he doesn't need to be carried. His firm today grosses close to $6 million a year and employs 20 full-time employees. Dolan draws a salary of around $100,000 a year and in recent years has been pouring his excess capital into real estate. **—H.R.**

good cash flow, but it is for a mar
firm when business takes a nose
Says William Olsten, 60% owner o
firm bearing his name: "The fac
you've got to have a significant cash
or a lot of credit."

In a recession, too, customers get
in payments, and that can knock
small firm. Olsten got hit for $2
when Interstate Stores went bankru
1973-74 (he eventually recouped mo
it). It didn't hurt this strong firm, bu
well-heeled companies would have
ruined.

Where the temporary-help firms
their money is in a hefty surcharge
basic wages. Says Olsten, a former
York City civil servant: "Suppose
send out a senior typist whom w
going to pay $4.25 an hour in New
City. We'll add 40% to 50% over
above that, which we charge the cli

In addition to normal office expe
temporary-help firms must spend a
money on advertising because of
turnover. Adds Olsten: "Then there'
contribution we make to unemploy
insurance, bonding, workers' comp
tion and other benefits."

Olsten doesn't apologize for the
sional use of the bounty system. "Pe
who work for us sometimes refer
competent people," he says.
should we ask them to do it for noth
After all," he says, warming to his
ject, "why not say to your neighbor
down to Olsten for a temporary
They have fine assignments. They
you feel at home.'

"All in all," says Olsten, "the busi
nets out before taxes at about 7%. T
a big operation with overhead. A
and-pop shop may do better."

After the next recession shakes ou
weak, the strong who remain can't
but get bigger. They're already worki
it by acquisition and by expanding
range of services—increasingly movi
the skill ladder from secretaries and
clerks, the traditional staples, into he
care personnel, paramedics, account
legal secretaries and government wor
Any labor-intensive business is pote
grist for the mill.

So far, government regulatory age
have largely left the temporary-
firms alone. And the unions—not
greatly affected because two-third
temps are office personnel—have
wary but tolerant. But one major fa
or a big increase in temps in the
work force (at present, they're on
little over 2% nationwide, or abou
of office workers) could end that lai
faire atmosphere. If the practice of u
temps spreads, it could well lead to l
trouble—to say nothing of attractin
attention of self-proclaimed pop
politicians and bureaucrats lookin
issues. But that's in the future. For
it's enjoy, enjoy. ■

ow St. Regis made a two-by-four that's 2 ft. longer than the world's tallest tree.

The world's tallest tree is a 368 ft. redwood in a nal park near Eureka, California.
And yet we made a two-by-four that's 400 feet long– et longer than the world's tallest tree. Forty stories of nuous two-by-four.
How did we do it? Simple. We glued 60 off-sized s of two-by-four together with hot-glued finger joints. then got fifty men and women to carry it out into the above and intentionally break it against a tree.
Our tests show that the joints are stronger than the unding wood.
Of course, our speciality is not 400 footers but eight rs–the so called stud, the main support of the home ing industry. We're one of the largest makers of eight wo-by-fours.
And, as in any operation where the raw material is uniform, there's a certain amount of waste. That's why o out of our way to use the short leftover pieces. It's olicy to use the resource wisely. So we're out to use e log–100%.
What's the future of wood building products? Are they g replaced by synthetics?
Pound for pound wood has greater compression gth than steel. And it's certainly more workable.

But also we make a lot more building products than two-by-fours and dimension lumber.

We make prestressed concrete walls and floors. Insulation and vapor barrier papers. And even culverts.

All this reflects the marketing stance of St. Regis toward all our packaging, paper, lumber and construction products. To use the full weight of our technology in serving our markets and in renewing the forest resource our products come from.

St. Regis—serving Man and Nature.

COPYRIGHT 1977 ST. REGIS PAPER COMPANY 150 EAST 42ND STREET N.Y. N.Y. 10017 ALL RIGHTS RESERVED

"Just one more question for our files, Sir."

At what point do corporations' requests for personal information become an unwarranted invasion of our privacy?

How many of the questions they ask (and answers they demand) are really necessary? How much information do they already have about us? Where did they get it? How accurate is it? And how freely do they exchange it among themselves?

Because these questions worry so many Americans today, Ætna wants to tell you how we are committed to doing business when you come to an Ætna agent or broker for personal insurance:[1]

We'll ask you for the information we need, and no more. We'll tell you what data we're after, how we intend to get it and from whom. If we turn you down, we'll tell you *why.* (And we *won't* turn you down just because someone else has.)

If you think we have misinformation, just ask what we've got. We'll tell you the nature and substance of all underwriting information in your file. (Except medical information which we'll give your doctor.) If you say some part of it is wrong, we'll reinvestigate—and respond.[2]

And we'll go out of our way not to pass on information about you without permission.[3]

By openly discussing our policies on privacy, we hope to encourage action among governmental and private organizations. And to insure this, we support both voluntary and legislative measures as recommended by the federal government's Privacy Protection Study Commission.[4]

Today the burden of proof rests upon business and government to show that we deal fairly and openly with private citizens. Don't underestimate your own influence in helping to protect your personal privacy. Use it as we are trying to use ours.

Ætna is protecting your privacy.

---

hen any state law requires ct differently, naturally, we omply.

espond" means: If we are , we'll correct the error by ing our source and anye you request who received isinformation from us in st two years. If we conclude our information is correct, we'll tell you so. If you ask, we'll even put your disagreement in the record. We'll also distribute that statement of disagreement in the same way as we would correct an error.

3 Occasionally, sound business reasons dictate exceptions (and we let you know what they are in advance). For example, Ætna will provide information needed by those selling or servicing our policies, for fraud prevention, or when required by law.

4 The federal Privacy Act of 1974 which established controls over the federal government's use of personal information, also created the Commission to explore the need for similar restraints on local governments and businesses. Ætna's President, William O. Bailey, served on this commission and the conclusions it arrived at are the basis for Ætna's privacy policy.

Ætna
LIFE & CASUALTY

Life & Casualty,
rmington Avenue,
rd, CT 06156

Not even Meshulam Riklis can hold off tomorrow. But you really have to admire the way he keeps trying to do it.

The numbers game: Putting off the inevitable

"WE'RE DOING BRILLIANTLY, absolutely brilliantly, this is the best year in our history. . . ." Stuart H. Aarons, secretary of $2.5 billion (sales) Rapid-American Corp. (and its public relations man on the side), wanted to make sure FORBES knew that Meshulam Riklis' liquor and ladies' wear conglomerate had some good numbers on display for 1978. But Aarons was less communicative about Riklis' latest setback. Here's the story, anyhow:

Meshulam Riklis has been a great one for paying for things with paper—debentures. The interest, after all, is a tax deduction and thus payable in 52-cent dollars; even less, if you factor in inflation. Of course, the principal eventually comes due. But that's way off in the misty future. Somebody else's problem, if problem it be. As a result of such thinking, Rapid-American's balance sheet moans under $720 million in long-term debt; every $1 in stockholders' equity supports $2.80 in debt. Rare is the U.S. company with a debt-to-equity ratio higher than 2:1 *(see* FORBES, *Jan. 8)*.

As we said, this debt load is no particular problem as long as the principal needn't be repaid. But the future eventually becomes the present. And that can be trouble if Riklis isn't careful.

Among that $720 million in long-term debt is (or until recently, was) $67 million worth of 7.5% debentures issued in 1971 and coming due in 1985. True, that's still six years in the future. But these are sinking fund debentures; their terms require Riklis to begin retiring that debt *this year*: $3.7 million in 1979; $5.2 million annually in 1980 and 1981; $11.4 million a year in the next three years; and the balance—$18.1 million—in 1985.

Meshulam Riklis hates to part with cash—constantly says so. So what does he do? He tries, in April 1978, to persuade holders of the 1985 debentures to trade their paper for the new sinking fund debentures due . . . in 1999. The sinking fund payments of the new notes begin in 1987, at a favorable (to Riklis) annual rate of $2 million.

Thus does Meshulam Riklis seek to push the present into the future.

Riklis is becoming something of a master at such paper-shuffling. In 1977, he was faced with $314 million in 6% sinking fund debentures coming due in 1988; payments to the sinking fund were to begin, in 1983, at $10.4 million per annum and escalate sharply. Riklis managed to swap $153 million worth of new 10.75% debentures due in 2003—when Riklis, 55, could well be dead or retired—for $204 million worth of the troublesome notes coming due. Consider the numbers: After taxes, Rapid-American's net interest burden rose by about $2.1 million a year; but the sinking fund requirement dropped far more sharply than net interest rose. Riklis would save tens of millions in precious cash. (A second offering that expired late last year brought in an additional $7 million.)

A happy by-product of the swap: Thanks to shilly-shallying by our accounting rulemakers, the face value difference between the old debentures and the new debentures issued to "retire" them was booked as "extraordinary" income and credited to stockholders' equity. Thus the 1977 debt swap was worth, after taxes, $30 million to Rapid's net income—over 63% of the conglomerate's reported bottom line.

Swapping debt is obviously a lot easier way to make money and build equity than selling liquor, ladies' dresses and golf and bowling bags.

Are Meshulam Riklis and his attorneys trying to pull the balance sheet over debentureholders' eyes? Not at all. The Exchange Offers' offering circulars spell it out clearly: "The purpose of the Exchange Offer is to strengthen Rapid's capital structure through (i) an extension of the maturity of a portion of outstanding debt, (ii) a reduction of long-term debt resulting from the lower principal amount of the New Debentures issu the Exchange Offer and (iii) an inc in stockholders' equity resulting the extraordinary gain on the excha

But who reads prospectuses? Th guage is forbiddingly murky. How people would stop smoking if the sage read: "The Surgeon General h termined that, under certain ci stances, there is a significant correl between the inhalation of to smoke and the incidence of *bronch carcinoma.*"

However, even bondholders are ing to read. When Riklis offered las to swap $55 million in new 12% si fund debentures due in 1999 for th million worth of old ones whose si fund payments begin this year, m creditor balked: Only $22 million old debentures were tendered. Th rejected the bait.

Rapid-American and its Mc Stores division have some $630 m in sinking fund debentures outstan Riklis will probably try again (and and again . . .) to roll these over int debt—push the present into the fut through exchange offers.

What if his creditors refuse, as may now be doing, to go along? then Riklis has them by the, ah, ea

Rapid's sinking fund debenture so-called indenture bonds—meanin Riklis has the option of meetin sinking fund payments either in (perish the thought!) *or* in the face-equivalent of debentures. Get th ture? If Riklis' creditors absolutely to swap, Riklis buys in the open m whatever face-value amount of d tures he needs to meet the sinking requirements—$3.7 million this $5.2 million next year, and so on pain of parting with cash is mitigat the fact that Riklis can buy the pap far less than its face value: The debentures, for example, have sold a as $33 on the $100 face value. The disgusted his bondholders become cheaper he can satisfy Rapid-Ameri sinking fund.

It is for such smarts, FORBES assu that Rapid-American (which is owned by Kenton Corp., which in t 52% controlled by Riklis, various ciates and family members) last yea Riklis $426,000.

Meshulam Riklis hasn't done very running his conglomerate. Granted, id-American's reported earnings climb last year. But even so the sells for around $15, as compared high of $46 in 1969. Future dividen severely circumscribed by a stri austerity plan imposed on Riklis in by 11 frightened banks and the Fe Deposit Insurance Corp. Noneth you *can* say this of Riklis: His pape not be so good as gold, but he cert doesn't lack for brass. ■

TIME offers you a world of facts. Free.

This 1040-page 1979 Hammond Almanac is yours free when you subscribe to TIME at 53% off the cover price.

ow deep is the ocean?
36,198 feet, at the bottom of
e Mariana Trench, deepest
ot in the Pacific Ocean.
How high is the sky?
118,898 feet, the modern air-
ane altitude record, set by
exander Fedotov of the
S.S.R.
The driest spot on earth?
e Atacama Desert in Chile.
ot enough rain there to form
puddle for an ant.
The three most expensive
ies to live in?
Not New York, London and
s Angeles. But The Hague,
eneva and—get set for a sur-
se! Conakry in Guinea!
Your TIME Almanac is filled
th all kinds of interesting facts about practically anything you can think of: the most common American surnames *after* Smith; how many people speak what languages; the state with the highest taxes. The longest rivers, the highest mountains, the nearest stars. Plus a complete guide to books, music, theater, television, films.

Over a million facts— yours *free* with a paid subscription to TIME at 53% off the cover price.

Here's how to get your World Almanac FREE

TIME's new Hammond World Almanac comes free with your introductory TIME subscription. Just indicate how many issues you want. You'll get them for only 59¢ an issue. A saving of 53% off the current cover price! And you'll receive your Almanac at no extra charge when we receive your subscription payment.

Send no money now. Just mail the attached postpaid card. TIME will bill you later.

If the card is missing, call toll-free 800-621-8200 (in Illinois: 800-972-8302) or write:

TIME

541 North Fairbanks Court
Chicago, Illinois 60611

E's basic subscription rate is 59¢ an issue—53% off the $1.25 cover price

BELL HELPS TONY'S DELIVE
OVER FIFTY MILLION PIZZAS

PROBLEM:

When demand for their frozen products grew hotter than a pizza oven, Tony's Pizza Service saw a possible problem: keeping up their quality and customer service in the face of phenomenal growth.

Orders skyrocketed to over 50 million pizzas a year.

High-speed delivery, but low-speed orders.

The company already had 130 warehouses throughout 48 states, and they began to add 70 more while expanding their fleet of long distance refrigerated trailers.

But for the most part, warehouses continued to fill out order reports and inventory status forms manually and mail them to headquarters. Manual entry invited errors. Mail delays affected inventory levels and cash flow.

Mailing alone cost $500,000.

Management agreed to a system study by communications experts in package goods distribution—a team headed by their local Bell System Account Executive.

SOLUTION:

The Bell System team recommended a step-by-step integration of voice and data communications coast to coast. In short, a total system.

As a first step, 25 WATS lines were added in stages for phone orders and inventory status. Savings over mail: $300,000.

Step #2 is still going on. It involves conversion to data terminal entry of orders and inventory status reports via low cost VuSet* terminals—one in each of Tony's warehouses.

Already the new system has cut down lag time and virtually eliminated errors. Cash flow has improved through closer control of production, inventory and shipping. As for Tony's quality and customer service, they've never been better.

"Ordering 150,000 pepperoni pizzas to go."

Whatever your product or service, if you haven't talked systems with your problem-solving Bell Account Executive lately, you're missing something.

The system is the solution.

Bell System

*Registered trademark of Plantronics, Inc.

When you bury your head in the sand, you're already up to your neck in trouble.

Businessmen know that business is in trouble. Everywhere we turn, we are confronted by overzealous regulators and a hostile, uninformed public.

But how easy we find it to bury our heads and do nothing about it.

And, as a result our image has suffered.

Polluter of the air. Exploiter of the land. Payer of bribes. Illegal campaign contributor. Profiteer. Trampler of human dignity. Enemy of the common good.

Yet what can we expect when we allow both sides of every controversy to be presented by the opposition?

Let us rub the sand from our eyes, open our mouths and carry with candor the cause of free enterprise to the American public. Before we find ourselves not up to our necks, but over our heads in trouble.

Workmen put final touches on the lar[ge]-Warner & Swasey turning machine ever [pro]duced. This 30-foot slant bed SC-45 [was] custom built to machine wellhead hous[ings] one part of an undersea oil and gas dr[illing] structure.

WARNER & SWASEY

Productivity equipment and systems in machine tools, textile and construction machinery

© 1979 THE WARNER & SWASEY COMPANY

k dollar? Inflation? OPEC? Recession? o things, Henry Zenzie argues, are merely t-term problems.

Poverty as an education

By Robert J. Flaherty

WANT a biblical theme for Henry s life and career, a good choice be, "As the twig is bent, so the nclined." The force that did the and the inclining, in Zenzie's as poverty—poverty that most readers have never even d, much less experienced. But the , realistic lessons he learned from helped him to become one of this 's shrewdest and most durable managers, a man who for two has made money regardless of ction of the stock market.

e's own experience with poverty he day of his birth in September hen he began life in Windsor, s the youngest of 12 children in an ant family from what is now the Union. He recalls his parents' sto- og cabins with sod floors, of tax rs who broke in and took every- He himself remembers the family h $7 cash per week, plus what food ld grow, during the Great Depres- was trapped in a job in a Bloom- nn. slaughterhouse.

day," he says, "I thought to my- ere has got to be a better way; I better than this.' " So he took a ep upward—and made his first with the world of money—by a job as a bank clerk. It was clean ut $18 a week didn't go far even . He noticed that his educated t better jobs; the sparsely educat- did not. So he began working his ough Kansas State—much to the f his family, which had been down so long that they did not lieve in education. For Zenzie it ilarating: "All of a sudden I was a ; my horizons soared."

d beyond Kansas State. He tried fer to snobbish Yale, but was down. More perceptive was the ity of Pennsylvania's Wharton where he took so many jobs

Henry Zenzie of Prescott, Ball & Turben
Inflation requires capital gains.

spurned by the middle-class students that he graduated with $1,000 more in his pockets than when he arrived. The next step was Harvard Business School, where he got an M.B.A. in 1956.

At age 27, Henry Zenzie was smarter than a lot of present-day M.B.A.s. He didn't think he knew it all. He set out methodically to learn three basic skills of Wall Street: 1) brokerage and research, including speculation; 2) money management and 3) corporate finance.

For the first he went to work for Burns Bros. & Co., Ltd. of Toronto, Canada, then boiling with speculation in penny mining, oil and uranium stocks. That taught him, says Zenzie, "the seamy side of the investment business—how speculative stocks are bought and sold." For the second, money management, Zenzie went to work for the great John M. Templeton (FORBES, *Nov. 27, 1978*). Templeton taught him not to predict the market; better to spend your time seeking out bargains—stocks selling at low multiples of potential earnings, companies in the hands of good managements.

Finally, for corporate finance, Zenzie worked at Lehman Bros. during the meticulous regime of Robert Lehman. There he learned the value of tireless delving; he recalls once having to redo a private placement memo five times.

Yes, this tale of a ragged immigrant's hardworking offspring has a happy ending with many lessons for investors.

Partly through listening to Zenzie, Chairman Albert H. Gordon of Kidder Peabody & Co., Inc. has built one of the great U.S. private fortunes. For ten years Zenzie acted as Gordon's personal assistant; he departed last year because Gordon had reached the age of 77. Since last January Zenzie has been a senior vice president in the New York office of Cleveland-based Prescott, Ball & Turben. PB&T's main thrust is in special situations, which is Zenzie's strong point.

His old client and mentor Al Gordon is almost fanatical in his dislike for the limelight; Zenzie therefore refuses to talk about his record in advising Gordon. But make no mistake, it was a spectacular performance. And Zenzie does have a scorecard he can show to outsiders in the special fund called Scientific Associates, set up for a group of friends and relatives on Jan. 1, 1969, soon after the Dow Jones industrial average had reached 943. The total value of the fund then was $350,000, the net asset value of each unit $5,000. Recently the value of each unit was nearly $20,000, not counting approximately $400 per unit paid out in dividends and capital gains—this in a period when the Dow was down 11%.

Over 80% of Scientific's value is in seven stocks—typical of Zenzie's belief in concentration—in what the late Gerald Loeb used to call putting all your eggs in a few baskets and watching those baskets carefully. Zenzie aims high: He looks for stocks he thinks can at least double in three years. He hopes half will do even better. His most spectacular winner at Scientific is Gearhart-Owen Industries, Inc., where $101,000 grew to $1.3 million; another star is Daniel Industries Inc., up nearly 2½ times in the last four years. Other winners include Palm Beach Co., up 368%, Ames Department Stores Inc., up 160%; and Gilford Instrument Laboratories, Inc., up 85%. Zenzie is especially proud that he chose his companies when many were tiny, under $20 million.

Surprisingly, the portofolio has no big losers, though 3 of the 20 stocks are down. The biggest loser—25%, or $43,000—in the last 2½ years is Amex-traded Burgess Industries Inc., an energy equipment company, bought because Zenzie likes marginal companies in a changing industry where he can help management. But he misread industry trends: Burgess' oil and gas pressure vessel business went down and manage-

ment insisted he remain a passive investor—a role he despises.

What are the criteria Zenzie uses in racking up such a record? They come over with the cool clarity of a man who, having lived intimately with poverty is able to recognize reality unhampered by illusion or wishful thinking:

- Forget well-covered companies, their prospects are already discounted.
- Invest in specialists that yield pure industry plays; skip conglomerates, whose very diversification damps any chance for major gains.
- Choose overlooked or unpopular industries and companies where technological change that will mean new potential is in prospect.
- Seek companies with a chance for a "kicker"—new product, favorable regulation, acquisition or the like that is hard to visualize now but that investors will pay for in a few years.
- Buy Sunbelt companies; they operate in a better environment with less featherbedding and unionism.
- Try to pay under book value, or try to estimate realistically if other companies would be willing to pay 30% over market, given a chance at acquisition.
- Buy thinly traded stocks with patience; he took three months to buy 60,000 shares of Gearhart at $2.50, adjusted for splits (recent price 37).
- Take your time choosing a company: Visit the company, call on competitors, even talk to fired executives. "I warm slowly and I cool slowly," he says.
- Don't reduce your holdings just because a stock doubles: "That's a cop-out for lack of work or diligence. If you really understand a company and its potential value, you should not be scared just because it is up 50% to 100%."

Having chosen a company, Zenzie tries to switch from the role of investor to that of partner. All companies with big potential have big problems, he feels, and smaller companies also don't have the information input of big ones. So he tries to give as much advice as the company head will accept. If he won't accept any, Zenzie remains a minor investor—or becomes an ex-investor.

Will the approach and techniques that served Zenzie so well in the past be productive in the future for him and for PB&T's customers? He thinks so, and is willing to nominate four stocks to test his view, stocks he thinks will at least double in the next three to five years.

Two are stocks his Scientific Associates fund already owns, Gearhart-Owen and Daniel, both in the energy service business. He sees both as $100 million companies destined to become $200 million and $300 million companies: "As oil and gas prices go up, these companies will mine the miners' pockets," he says. "As long as the price of oil and gas goes up, these companies are sure ways to play it." Gearhart-Owen, which has a growth rate of approximately 25% over the last ten years, recently sold at about 18 times last year's earnings; Daniel, growing at over 23%, sold at about 7.5 times. Zenzie thinks both are still reasonably priced, given those growth rates.

Zenzie also has two multibillion-dollar plays he thinks will double. One is Transco Companies, Inc., a pipeliner that now has a huge drilling program—so huge that it depressed 1978 earnings. Zenzie is buying a company with a dull image where reasonable exploration success could hike earnings sharply and change the image. There's also a kicker: Transco has part of Texaco's Block 598 in the Baltimore Canyon off New Jersey.

His other giant play is $5 billion (assets) American General Insurance Co., which sells around five times earnings at a time when he figures inflation will force people to buy more insurance. It's also underrated: "American is a better company than Wall Street believes," he says, now that the superannuated management that gave the company its bad name has been replaced by a good new group under 47-year-old Harold S. Hook. Zenzie, while a modest-seeming, soft-spoken man, does not lack for self-dence. One of the reasons he ad Hook is that the American Genera listens to Zenzie's advice.

While his basic approach require to stay away from predicting whe stock market is going, he does fee many stocks are exceptional barga this time. What about the weak d Inflation? Iran? OPEC? Rece Those, he feels, are short-term prob It may sound corny but Henry Z believes in America. "Things like tion here today may be rough, bu where near as bad as in other cou or other times," he asserts. Americans brought up in affluenc not to have that perspective; the only the flaws in their society. The lute ruler's secret police are a po counterargument.

As for inflation, Zenzie argues long term, it is a reason for invest stocks—not for staying out of them you realize," he asks, "that if our p inflation rate continues for two decades, anyone with a fortu $200,000 will be wiped out? You ne capital gains—not merely the in from bonds—just to stay even." ■

The nutrition business in the U.S. is boomi Guess which secretive company in Switz land is the big winner?

Body building at Hoffmann-La Roch

By Harold Seneker

URGED ON by the imperatives of the "Me" decade and nutrition gurus like Linus Pauling (as well as by discreet ad campaigns by Switzerland's Hoffmann-La Roche aimed at both consumers and doctors), Americans are on a vitamin binge. Many people have come to suspect that today's food industry, replete with fast food, junk food and highly industrialized food engineered mainly for convenience and eye appeal, is not the best source for those complex, delicate compounds essential to health, that can break down easily in the presence of light, heat, air or certain metals.

Many medical authorities argu packaged vitamins are unnecess have at best a placebo effect. mind. The public believes.

So at least a third of all adult higher percentages of college-ed adults) now buy vitamins in the ing search for health, vigor, lon and a more active sex life. Their n is rising. (There is also a brisk sid ket lately for inositol, an obscure ent sometimes classed with the plex vitamins: In powder form it's for cutting cocaine.)

This U.S. consumer market fo min pills is at least a startling $1.2 at retail, growing about 10% an

he name that's a leader
n calculators and electronic cash registers

KIDDE

ictor Business Products is Kidde's outstanding erformer in office products. The reasons? More than 6,000 cilities, for sales and service in every U.S. county and 80 ations. State of the art products like the new 600 series alculator that sets new standards for reliability and erformance. And premium features across the line, without remium price tags.

Victor electronic cash registers are also scoring big in the st-moving world of retailing. With ECR products that range om stand-alone units to expandable systems with data ommunications capabilities.

These quality products, and hundreds of others from Kidde, ave helped produce record sales, net income and earnings per hare year after year. And now annual sales are at a rate in xcess of $2 billion. To learn more about Kidde, write for our nnual Report. Walter Kidde & Company, Inc., 9 Brighton oad, Clifton, New Jersey 07015. And to find out more bout the Victor Business Products, call Victor's toll-free umber (800) 447-4700; in Illinois (800) 322-4400.

Some Kidde leadership products:

Industrial, commercial
Grove *hydraulic cranes*
Victor *business machines and temporary services*
N.J. Office Supply, Scott Rice *office products*
Ross-Martin *forms management services*
American Desk *auditorium and stadium seating*
Dura *automotive components*
Garden State *auto seat leathers*
Weber *aircraft equipment*

Safety, security, protection
Kidde, Fenwal, TOTAL *fire protection equipment*
Sargent, Presto, Arrow *locks*
Globe *guards and investigative services*
LeFebure *banking equipment*

Consumer, recreation
Farberware *cookware and appliances*
Progress *lighting fixtures*
Keystone, Mobilite *lamps*
Rexair Rainbow *vacuum cleaners*
Spartus *clocks*
Lucien Piccard, Arnex *watches*
Ertl *die-cast toys, model kits*
Vanity Fair *electronic toys*
Bear *archery equipment*
Daisy *air rifles*
PGA *golf equipment*
Nissen *gymnasium equipment*
Valley *coin-operated pool tables*
K&S *lawn equipment*

280A

Additional tonnages go into livestock and poultry feed; to food processors, who put them in bread, cereal and fruit juice; and even into pet food. While the prime market is obviously American, the rest of the noncommunist world still absorbs about 60% of the tonnage produced.

In the U.S., about $1 billion of that consumer trade is synthetic product, the rest, so-called "natural vitamins" that often sell at twice the price. (This is one of the great triumphs of the will to believe: Synthetic vitamin molecules must be chemically identical to "natural" ones, as a matter of law, if they are sold to the public. Some pilltakers nevertheless insist "natural" means somehow "better." One marketing director explains what really happens: "Look, people want 'natural' and will pay a premium for it, so why not give it to them? If you made a whole vitamin C tablet from rose hips, say, either your cost to extract it would be prohibitive or the size of the pill would be too big to swallow. Marketers aren't stupid. They include a minor fraction of ascorbic acid from rose hips, give it a 'natural' sounding brand name, and put some brown flecks in so it looks like the stuff was just swept up off a dirt floor. Read the labels sometime.")

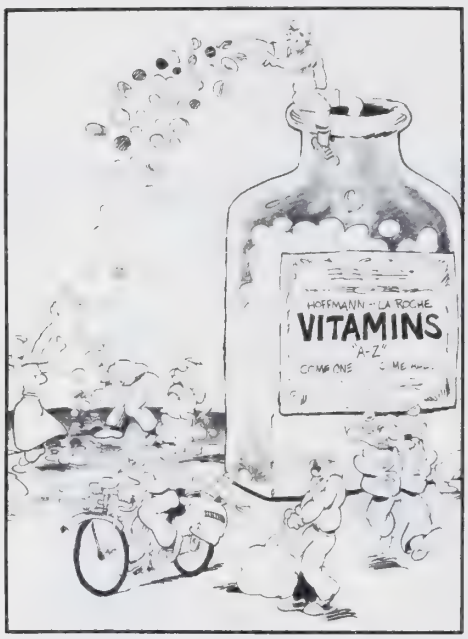
The eager consumers are supplied by tens of thousands of retail outlets, including drugstores and supermarkets who just love those 36% markups, as well as the mushrooming population of health-food stores. The outlets, in turn, are supplied by perhaps 500 formulators and distributors, who punch out the pills cheaply and put them up in nice, labeled bottles at very generous markups of their own. A big chunk of business is also moved by mail order.

But never mind all those labels. Behind the proliferation of names at retail, the actual bulk vitamins are made by only a handful of firms. Hoffmann-La Roche is by far the biggest of them. The Swiss-controlled pharmaceutical giant (total sales: $3.3 billion, and among other things it long enjoyed the patent monopoly on Librium and Valium) does not care to sell directly to the public. Instead, it quietly encourages the multiplication of the distributors the consumer sees—even acting as consultant to eager newcomers—while just as quietly dominating the bulk vitamin scene.

The company is characteristically very secretive about things like its own market share, but one knowledgeable industry source estimates that this global eminence either makes or sells 60% to possibly 70% of the bulk vitamins in the U.S. and the Free World. General Motors should have it so good! Another source elaborates: "Some vitamins Hoffmann-La Roche does not manufacture itself [notably niacin and vitamins B_{12} and D], but sells the majority of the production of another manufacturer under its own name. [That way] they either manufacture or have contracted for production on all major vitamins . . . and they have the exclusive rights in some vitamins."

Takeda Chemical Industries Ltd., a nearly $2 billion (sales) Japanese pharmaceuticals biggie, runs a distant world second to Hoffmann-La Roche, and West Germany's E. Merck (quite separate from the U.S.' Merck & Co.) an even more distant third. Altogether, there are fewer than 30 bulk producers in the Free World, most of them obviously very minor factors. And since no one, not even Hoffmann-La Roche, makes every vitamin, each of the ten or so major substances in the vitamin trade typically has only a handful of manufacturers.

The whole bulk industry is as secretive as the leader. One company, Vitamins, Inc. of Chicago, wouldn't even tell FORBES whether it manufactures any at all (it does: vitamin D_3). The important factors in this business, however, all



maintain major offices or operations, or both, in the New York metropolitan area, where they all stay in touch with each other while trying to make state secrets out of things like their own estimates of individual markets and their plant capacities. And they all have to live somehow with the giant in their midst, which through sheer size and market position effectively has power over the level of bulk prices.

But being Mr. Big doesn't seem to be enough for Hoffmann-La Roche, which needs a way to replace some of the immense profits from Librium and Valium—the patents have been expiring. There are plenty of signs that Hoffmann-La Roche is pushing to enlarge its position as the Saudi Arabia of the vitamin game, and its actions have some interesting implications.

Consider vitamin C, the biggest-volume item by far. Industry sources figure the players this way: Hoffma Roche's world capacity at 20,000 n tons a year, Takeda at 9,000 or 1(and the rest combined—E. Merck ir many, Syntetic in Denmark, Pliva i goslavia and Pfizer in the U.S.— equal to Takeda.

Demand is brisk, thanks to Linus ling. Takeda and Pfizer are runnin out and U.S. imports are rising. So bulk price. As low as $3.25 a kilo i 1960s, it has been jumping lately: $ kilo in 1976, and $9.90 to $10.00 making vitamin C, at bulk, a $40(lion business worldwide. Demand tonnage basis, is growing maybe 6 7% a year.

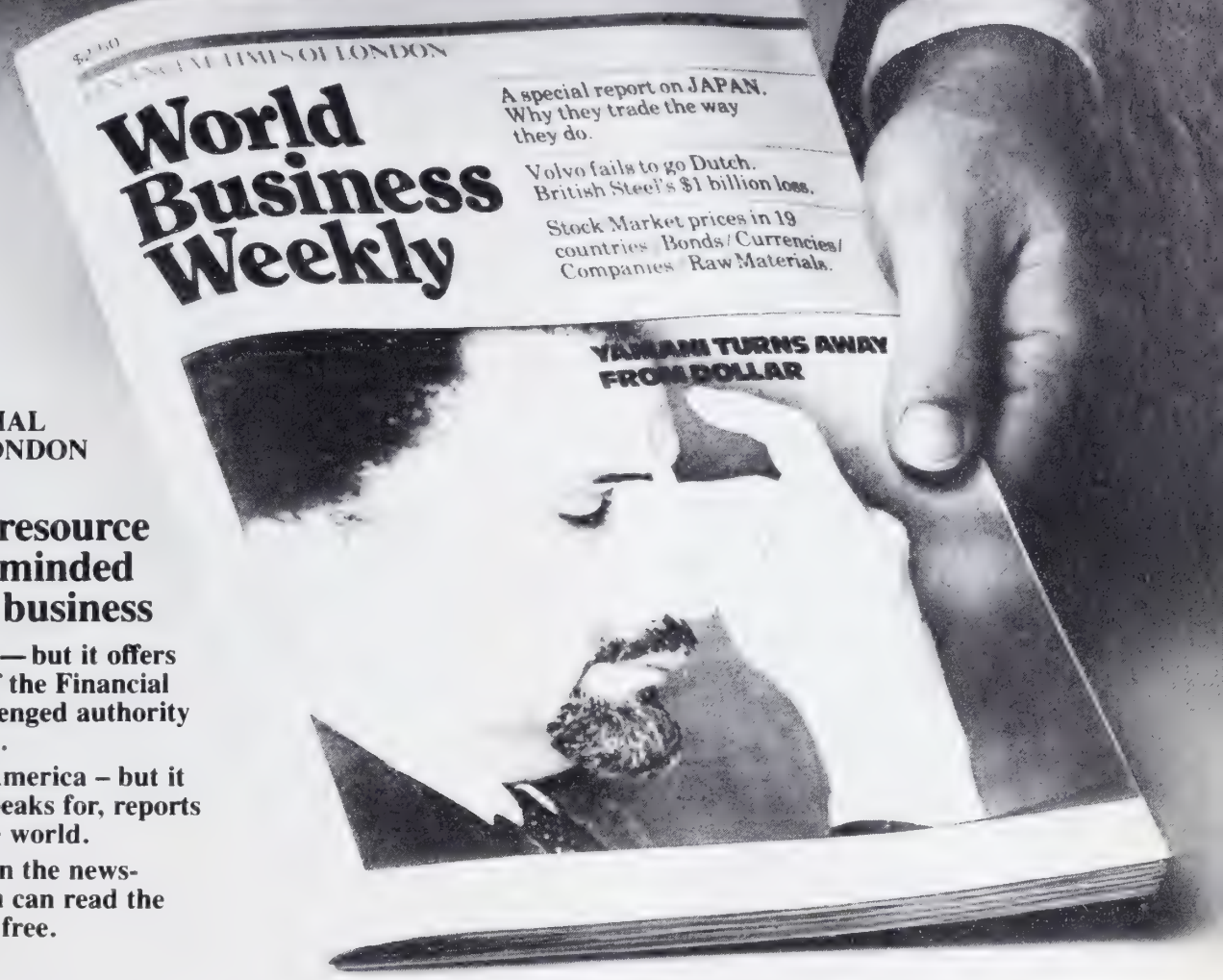
Hoffmann-La Roche, naturally, is ning a little expansion—a near dou of its already large vitamin C capac the mid-Eighties. That means it will be able to supply virtually a growth in vitamin C foreseeable f next six years. Okay, now look at it's paying for the privilege. Accord published reports, one plant alone mately to be a 40-tons-a-day mons Dalry, Scotland, will cost at least million, less about $90 million in a ed benefits and tax breaks from th ish. Think what kind of return you to justify investing $160 million or net of breaks, to get annual revenu current prices, of no more than million. Unless ascorbic acid is al fabulously profitable (probably no industry sources), Hoffmann-La I has to be banking on being able to the price.

Hoffmann-La Roche is not sta still in other vitamins, either. It is ing U.S. plants to make riboflavin mediates (Merck is the only othe riboflavin producer) and ingredien vitamins A and E (there are sev(producers, but BASF in Germany n the only other significant basic mai turer of vitamin A in the Free W and is deepening its penetration animal feed business as well.

All of which could add up to a for trouble as well as profit. One inc source, discussing Hoffmann-La I and asked about the industry's pen for secrecy, grew uncomfortable. "I want to trigger an antitrust inve tion," he said plaintively. "We have one now, and we don't need c

Presumably, neither does Hoffr La Roche, which has already had trust trouble with the European Ec ic Community over special reba "faithful" customers, and which is ing a low U.S. profile, well out consumer's sight. But as its hold o highly visible industry and its sh the total pie grow ever more overw ing—and its prices go ever higher- much longer can the mysterious g men from Basel hope to avoid the of the antitrusters in Washington?

None too soon!


$2.50
FINANCIAL TIMES OF LONDON
World Business Weekly
A special report on JAPAN. Why they trade the way they do.
Volvo fails to go Dutch. British Steel's $1 billion loss.
Stock Market prices in 19 countries / Bonds / Currencies / Companies / Raw Materials.
YAMANI TURNS AWAY FROM DOLLAR

THE FINANCIAL TIMES OF LONDON
presents a fresh new resource for world-minded American business

It's brand new — but it offers you 90 years of the Financial Times' unchallenged authority and experience.

It's made for America – but it comes from, speaks for, reports and reflects the world.

It costs $2.50 on the news-stand – but you can read the first two issues free.

No one has to spell out for you what unsettling times these are for American business on the world scene.

That the bumps and slumps may well get worse. And the competition more fierce. That you've got to be more alert than ever to new markets, materials, methods, wherever they may emerge.

You need the news resources your overseas competitors depend on

Over 700,000 astute readers in 120 different countries read the Financial Times of London daily. (Some of them must be your customers, counterparts, bankers, suppliers abroad.) It's the surest way they have to keep up with events and developments that have an impact on their business.

Now we are publishing a once-a-week journal, the WORLD BUSINESS WEEKLY, distilled from the daily – and supplemented each week by cogent special reports, *focused and written for, sensitive to American needs.* And we urge you to examine it now

What you will get that's new, better, different

WORLD BUSINESS WEEKLY calls upon the largest network of business correspondents in the world, plus the most extensive business research facilities of any international magazine.

Every week, you will receive more news, earlier news, more exclusive news, in which foreign competition, foreign sales, foreign investments and foreign opportunities are seen as the heart of the matter rather than as a postscript.

Over the year, *every* important decision by the world's top companies will be reported.

Here's what you'll find:

- **International company news:** new ventures, new contracts, new experiments, new acquisitions.
- **Candid, first-hand views** of how American businesses – in the U.S. and overseas – appear to the rest of the world.
- **Industry updates:** a global view of steel, oil, mining, aircraft, shipping – every industry where a trend, an event, a discovery, merits your attention..
- **New product news:** techniques, inventions, innovations that you might want to borrow, purchase, franchise, represent yourself.
- **World report:** including economic and political news not ordinarily monitored by the U.S. press that you should know about.
- **Plus** statistics, analyses, forecasts on 19 different stock markets, bond markets, commodities, currencies, interest rates . . . and lots more.

Examine your first *two* issues with our compliments

We'll send you the first *two issues* without cost or obligation. If you like what you read, you may continue to receive WORLD BUSINESS WEEKLY at a Charter rate that will save you 50% of the price that future subscribers will pay. As a Charter Subscriber, you are also entitled to cancel at any time and receive a full refund on unmailed copies.

WORLD BUSINESS WEEKLY can help give you just the edge you need in these unsettling times. So mail your order today.

THE FINANCIAL TIMES OF LONDON

World Business Weekly

– it's none too soon!

THE FINANCIAL TIMES OF LONDON 79A2
World Business Weekly
P.O. Box 979 Farmingdale, N.Y. 11737

Please enroll me as a Charter Subscriber to WORLD BUSINESS WEEKLY at your special introductory rate of 26 issues for $25 – a saving of 50% off the regular subscription rate

☐ I prefer a year's subscription at the Charter rate of $80

☐ Bill me ☐ Payment enclosed

Name (please print) Title

Company

Address

City State & Zip

When Marriott does it, they do it ri

Your first five minutes at any Marriott will tell you one main reason why Marriott has the highest occupancy-rate in the hotel industry.

And over twice as many Mobil 4-star ratings as any other hotel company.

It's more than bricks or glass or carpeti Or beautiful pools or restaurants.

It's the pride, alert professionalism, and spirit of Marriott's staff.

It's the genuine warmth of your welco from the people who help you with your

The secret of Marriott's success is hospitality—cheerful, friendly, the way it ought to be.

ht from the moment you arrive.

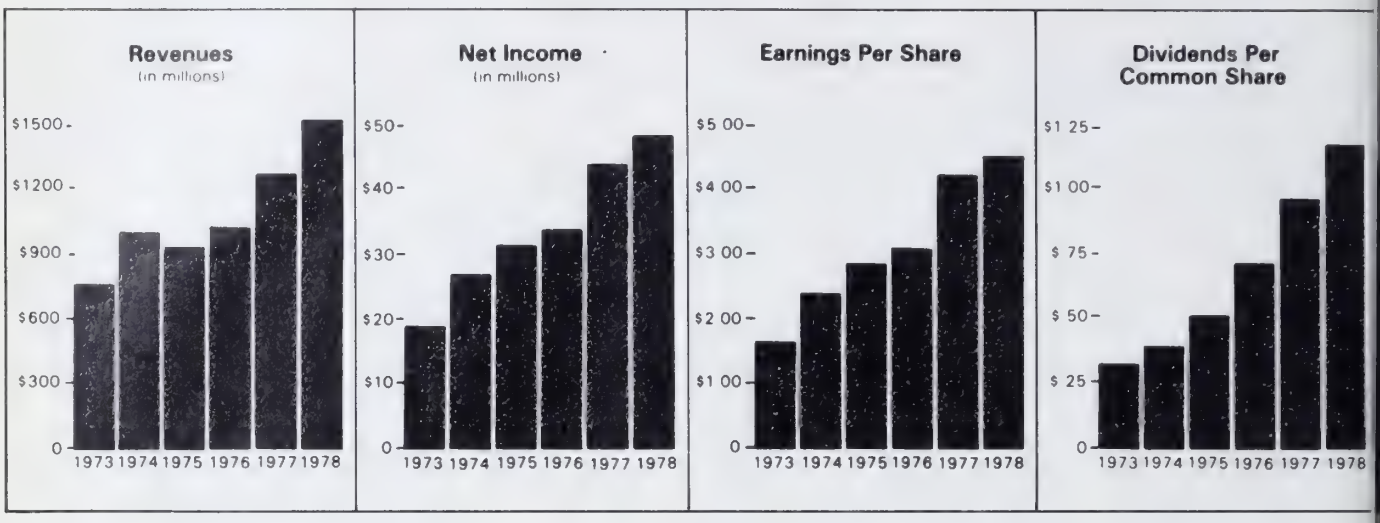
ge. The attentiveness of the desk clerk
checks you in.
's waiters and waitresses who smile.
the tremendous trifle of a "Hi!" from a
ng bellman in a hall.
Next trip, let Marriott do it right for you.

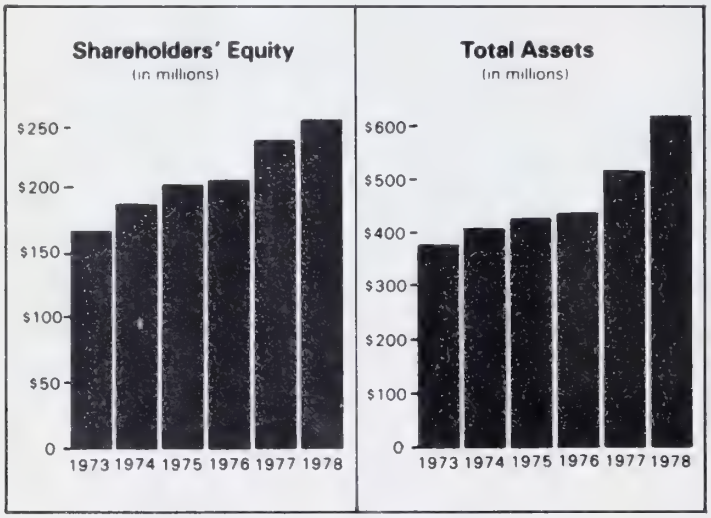
To reserve a room call a professional,
your travel agent. Or toll free* 800-228-9290.

Marriott Hotels

Acapulco, Amsterdam, Atlanta, Austin, Baltimore, Barbados, Berkeley, Blacksburg, Boston, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Detroit, Ft. Wayne, Houston, Indianapolis, Kansas City, Key West, Lake of the Ozarks, Lincolnshire, Ill., Los Angeles, Louisville, Marina del Rey, Miami, Milwaukee, Minneapolis, New Orleans, Newport Beach, New York, Orlando, Philadelphia, Pittsburgh, Providence, Rancho Mirage, Rochester, Saddle Brook, N.J., St. Louis, Santa Barbara, Santa Clara, Scottsdale, Somerset, N.J., Springfield, Mass., Stamford, Ct., Syracuse, Tucson, Washington D.C.

ANOTHER RECORD YEAR FOR ALCO STANDARD





FINANCIAL SUMMARY

	Year Ended September 30	
	1978	1977
Revenues	**$1,548,532,000**	$1,243,571,000
Income before taxes	**86,726,000**	75,959,000
Net income	**47,676,000**	43,866,000
Primary earnings per share	**$4.51**	$4.14
Dividends per share	**$1.16**	$ .96

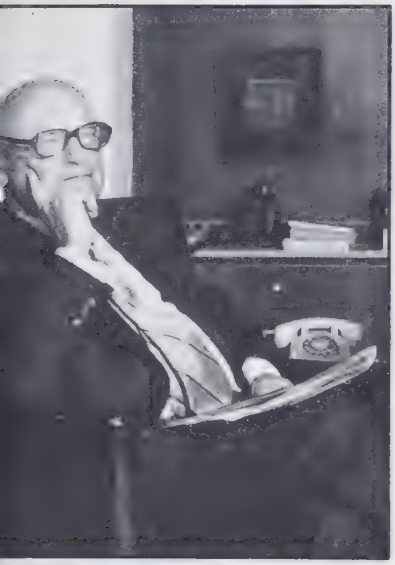
Fiscal 1978 marked Alco Standard Corporation's 13th year in business. Revenues surpassed the $1.5 billion mark for the first time in the company's history. Net income and earnings per share increased for the sixth consecutive year. These records are the results of the diversification provided by Alco's three major operational areas — manufacturing, distribution and resources.

For the third consecutive year, Alco's board declared a year-end extra cash payout. For calendar 1978, this brought the total dividend payment to $1.16 per share — a 21% increase over the $1.01 per share paid in 1977.

To find out more about Alco Standard, write for a copy of our annual report. Alco Standard Corporation, Dept. FI, P.O. Box 22479, Cleveland, Ohio 44122

ALCO
The Corporate Partnership TM

Faces
Behind The Figures



w-Hill stockholder Maxwell Geffen
ell out the McGraws at $40.

One man's opinion

argest single shareholder of hotly ed publisher McGraw-Hill, Inc.—e of the McGraw family itself—is ly Maxwell M. Geffen, 82. Various aw family members own about f the stock, and Geffen won't say nuch he now owns but at one time 500,000 shares, 6% of the outng. A publishing entrepreneur of egendary success, Geffen in the picked up $30 million worth of aw-Hill common by selling his in- in *Medical World News* and Stan- Poor's. He follows McGraw-Hill closely: "I owned a lot of it at 35," rs, "shorted it down to 6 in the Seventies; bought a lot of it last hen I saw the company was movward. . . ."

does he react to news that $3.5 (sales) American Express Co. is g a bid for McGraw-Hill? Vacag in Palm Beach, he replies: "I said elf that means they want to buy it which is about the right price in de—15 times earnings. Personally *very* interested by an offer at 40. he way the tender market is going, airman] Harold McGraw can get d bless him! But at 40 I think a lot estors would scream that this is ning that has to be considered if Harold McGraw says this is not genial marriage. People have reor American Express."

ok," he goes on, "McGraw-Hill is would call a Boston State Street investment. I don't see that McGraw-Hill can grow any other way than slowly over the next five years. There's no way you can turn a publishing company like this around and send its earnings from $2 to $5 a share without one hell of an injection of capital. American Express on the other hand can do anything.

"A good part of the [McGraw] family has only one interest at this moment: dollars," says Geffen. "Harold pushed them out of management and that side of the family owns all but half a million of the family holdings, which are somewhere between 2 million and 2.5 million shares. There was a time when it was 'We're all part of the same family and we love it.' That ain't true anymore."

Geffen thinks the proposed American Express offer may be a lot friendlier than generally supposed. "There's no doubt in my mind that there's more to it than appears," he says.

"Everything about this deal looks like a thing that will go through at about 40."

But even as Geffen spoke, a determined Harold McGraw was fighting back, apparently resisting the takeover bid with every resource at his command. The odds seemed stacked against McGraw—as Geffen suggested—but other determined managements have beaten the odds.

Out of the picture?

With the U.S. photography market softening for the pocket-sized 110 series, led by Eastman Kodak Co.'s Instamatic cameras and film *(see p. 35)*, Japan's Pentax Corp. would seem to be backing the worst possible horse with its own new entry into the U.S. 110 market.

The SLR System 10 camera that Pentax' parent, Asahi Optical Co., Ltd., is starting to market is a technical wonder. Weighing only six ounces, the device offers through-the-lens focusing, automatic exposure, motor-driven film advance and interchangeable lenses, features until now found only on 35mm cameras. And with a list price of around $200, it approaches the price range of the sophisticated 35mm products offered by Canon, Olympus—and Pentax.

But Koshiro Chiwata, 54, Pentax president, thinks the product is neither too little nor too late. With maybe 50 million 110 cameras already sold, mostly by Kodak, he says, "the 110 market in the U.S. is a very large one, so that if we wind up with a few percentage points, it would be very meaningful for us."

Pentax was one of the pioneers of 35mm single-lens-reflex cameras in the U.S., and boasted as much as 40% of that market throughout the 1960s. But by 1976, its share had dropped to 8% of the burgeoning market. Competition from other Japanese makers, including Canon and Olympus, had much to do with its decline. And though Chiwata doesn't actually blame Honeywell Inc., the company's U.S. marketer for years, he does say that his company's share of the 35mm SLR market has climbed back to 18% in the nearly two years since Pentax broke with Honeywell and set up its own U.S. distribution arm.

The big question facing Pentax, though, is whether the new little camera—probably on the drawing boards for years—came to market because Pentax designers and engineers were so intrigued by such features as a six-element glass lens (Kodak uses cast plastic lenses in its cheaper versions) that they overrode the marketing people. Chiwata isn't saying. But with a $4 million advertising and promotion budget, maybe the worst

Koshiro Chiwata with Pentax' minientry in a maximarket
A nifty engineering development or a savvy marketing tool?

Faces
Behind The Figures

that will happen is that U.S. retailers will use the camera as a lure to get consumers to trade up $100 or so to a full-fledged 35mm. And the best could be a nice skimming of the cream off the top of Kodak's 110 market.

Disco Dutchman

Phonograph record people play lots of games with numbers, so the answer to who's the biggest can be fudged a lot of ways. Warner Communications claims to be number one in the U.S., ahead of CBS, which had the edge worldwide, because of its vast international operation, etc., etc. But in the meantime, another contender seems to be walking off with the title: PolyGram Group, affiliated with N.V. Philips, the $12 billion Dutch electronics maker that markets products in the U.S. under the Norelco and Magnavox labels; and Siemens AG, the West German electronics firm.

Coen Solleveld, 59, PolyGram's president, doesn't actually claim the top spot, but with $1.25 billion in sales, not counting the unconsolidated volume from big pieces of two of the hottest selling independent companies operating in the U.S. market, he almost certainly could. And that's part of the reason he has moved his headquarters from the Netherlands to New York. With major interests in the Robert Stigwood Organization (records and films of alltime disco champs *Saturday Night Fever* and *Grease* among others) and Casablanca (the bizarre KISS group and the big movie *Midnight Express* among others), PolyGram is already a big winner here *(see* FORBES, *July 10, 1978).*

"We want to make American artists and executives feel this is a company that is not just an offshoot of a European company," says the Rotterdam native. But he's interested in more than artist relations. For one thing, the U.S., with only 5.1% of the world's population, consumes 50% of the record industry's products. For another, if the videodisc industry, in which Philips is heavily involved, ever takes off, it will start here.

Philips, like others in the hardware and software ends of the home videodisc market, has been playing stop-and-go for years now. It's natural that nobody wants to commit the huge investments in production and marketing until the business unscrambles itself a little more, though the Philips Magnavox system went into test markets in December. The home videotape industry has gotten off to a slower start than was expected at

PolyGram Group's Coen Solleveld
New champion of the record industry?

the launching by Sony and Matsushita, among others.

At about the same time, RCA announced it would begin marketing its videodisc system (it's not compatible with Philips') in 18 months or so. Both companies want to hit it big, not only to sell the hardware, but also the programs that both own and would love to sell on their own system's discs. But the industry is still in that chicken-egg stage of wondering just how many programs would have to be on $6-to-$15 discs before anyone would purchase a machine, and how many copies of, say, *Saturday Night Fever* they can sell to people who buy the $695 players.

Program marketing was not a problem with the videotape systems—most of the programming shown on those was taped off a home television. The disc players, however, can't record off home set the program people, like Solleveld, have their hands full until the chic and eggs become a market.

Instant gratification

"Not in our wildest dreams did any envision that we would do as well a have," says Raymond Zimmerman president of Nashville-based retailer vice Merchandise Company, Inc.

How well? From being small jobbe the dime store trade in the early Six Zimmerman and his parents, Harry Mary, are currently worth $60 millio paper. Service Merchandise, w grossed $1 million in 1960, netted $ million last year ($1.36 a share) on of $353 million. Sales are expecte exceed $500 million this year. Its s has gone from 50 cents a share to $2 in the past five years, making it th performer among the 1,000 largest licly traded corporations.

Here's how it started: Harold Ro berg of Modern Merchandising proached the Zimmermans, as he the Lewis family of Best Products (FORBES, *Sept. 4, 1978*), with an idea t costs by using a common catalo their individual catalog showroom was an idea made to order for th Spock Age, offering instant gratifica With other catalogs, the buyer ha wait days or weeks for the mercha to be delivered. With the new ca showrooms, the customer could ch his item and go to the back of the to pick it up. They sold, moreover, of-the-line, brand-name products a rate prices instead of private-label ucts (as Sears does). Timely offerin Wall Street provided the other ing ent: capital to open new showroom

Says Zimmerman: "The depart

Service Merchandise's Ray Zimmerman
Out of 1,000 publicly traded companies, his stock did best.

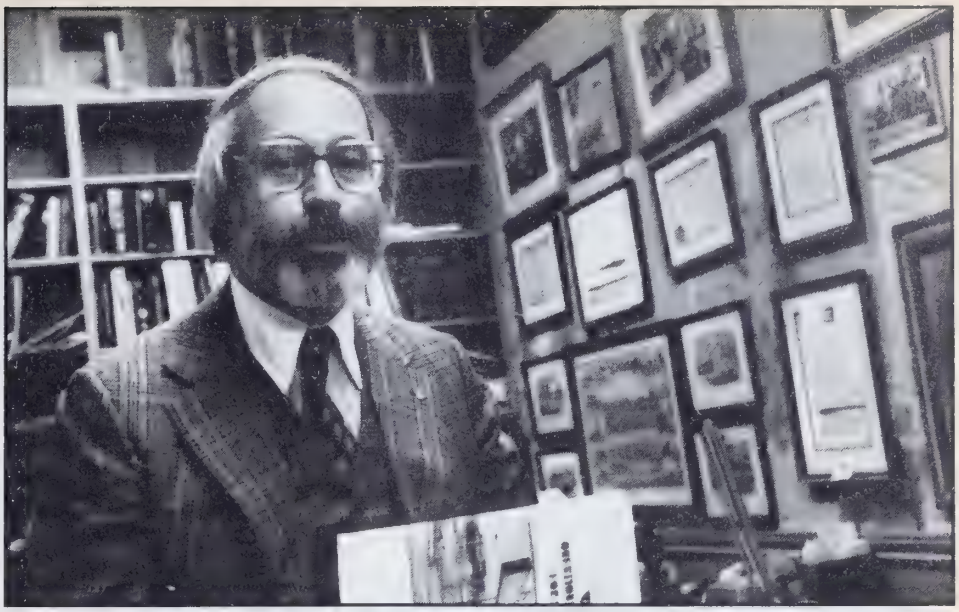
and the manufacturers are creat-
e demand and we're stepping in
without their payrolls, or all that
ising expense, and getting the vol-
on price. We really haven't
ned the surface yet."
danger, of course, is that so obvi-
successful a formula will attract
tition from much larger retail
. Modestly, Zimmerman con-
"Any dummy can do like we do:
there and sell it cheaper. But
ingdale's or Saks Fifth Avenue will
50% more and have them stand-
line—now *that's* a merchant!"

Born again

aly's Fiat S.p.A. cleanse its Ameri-
age of stylish but unreliable cars?
onth Fiat's elusive chairman, Gio-
Agnelli, flouted kidnap and assas-
n dangers to fly to Las Vegas to
nce the Strada—Fiat's answer to
vagen's Rabbit.
elli took the next flight back, leav-
to Claudio Ferrari (not related to
mous carmaker), president and

o Ferrari of Fiat North America
g up Fiat to catch the Rabbit.

f Fiat Motors of North America, to
good on Agnelli's promise to dou-
es by the early 1980s.
have his headaches. The National
ay Traffic Safety Administration
excessive rusting on 1970-74 mod-
e NHTSA continues to investigate
ly jammed wheel bearings on
7 models. Consumers have com-
l of more than usual engine break-
after two years.
oking back to 1975," explains the
r-old Ferrari, "it was, in a sense,
ginning of the end when we sold
100,000 cars." The problems
ed, he feels, from an engine that
ot easily adaptable to U.S. emis-
ontrol standards and from dealers



Quinlan & Tyson's real estate wheeler William G. Jennings
For $5,000 his customers can play the syndicate game like the big boys.

who were caught unprepared to service that heavy sales volume. "The Strada is built with the U.S. market in mind—over 100 engineers worked on the emission and safety problems alone," he says enthusiastically.

After working his way up through the Fiat export division, Ferrari became managing director of Fiat in Switzerland in 1976. He came to New Jersey to head up the North American unit in March 1977. That's when things started changing for Fiat.

Ferrari hopes his new parts delivery system, beefed-up training for mechanics and quarterly surveys of owners and dealers will polish Fiat's tarnished image. He's also hiked the advertising budget 40%, changed advertising agencies and dangled this tempting carrot: financing for dealers and customers, the first by a foreign carmaker.

Fiat sold only 61,000 cars last year, 3% of the U.S. market. This year, Ferrari envisions sales of 85,000, with about half coming from subcompacts like Strada.

He's made all the right moves, but can he get the jump on the Rabbit?

A little leverage?

One day last summer, William G. Jennings got the idea that maybe some of the people his firm had been brokering homes for in Chicago's affluent northern suburbs might like to buy some real estate action above and beyond the residences they were acquiring. After all, practically everybody had discovered what a splendid inflation hedge the right real estate could be.

But real estate syndications were almost always split into such big pieces that limited partnerships were out of the reach of most home buyers.

Besides, the losses of so many REITs turned off a lot of would-be investors. So Jennings, who heads the 95-year-old real estate firm of Quinlan & Tyson, Inc., decided to set up a small-scale partnership that Q&T's sales force could offer to its home-buying customers.

Last September Q&T began offering $1,000 shares in a $2 million partnership to buy a shopping center in Chicago's western suburbs. Minimum sale, $5,000; maximum, $20,000. The offering is being made under Illinois securities law and is available only to state residents.

Considering the scale of the deal, you might have expected that Q&T would have sold out the offering in weeks, or even days. But Jennings knew very well from the start that it would take a lot of time and effort to sell real estate customers partnership shares, despite the reputation of the venerable $285 million-a-year broker. For one thing, aside from the bad publicity that a lot of real estate investments have acquired, house salespeople just didn't have the experience to peddle these investments to prospects who walked in off the street for a house.

The 50-year-old Harvard grad set up a training program to turn 24 of his 300 salespeople into securities sellers. A home buyer may well understand what a mortgage on his own dwelling means, but how do you explain the risks and rewards of shares in a partnership with the leverage of an 80% mortgage? With some difficulty, as it has turned out.

Jennings figures the first Q&T offering will be just about sold out this spring, which says something about the problem of converting your corner real estate sales office into a minisyndication business. Next time, says Jennings, "we know we'll have to get property with a higher mortgage to allow our customers a greater tax deduction." And next time is going to be in 1980. ■

You look like you just heard from Dean Witter.

Today, it takes a lot to make an investor happy.

It starts with a full-service investment firm that reall fulfills your needs. And people trained to recognize the

That's why, at Dean Witter, one of the biggest investments we make is in our people.

To begin with, we're much more than just stockbrokers. Which means we can advise you about your total financial plan.

And something else you should know is that Dean Witter account executives aren't alone when they work for you. We back them up with a complete team of financial experts. Experts whose knowledge covers everything from general business and economic trend to options, to commodities, to insurance.

But we don't stop there. Since holding onto your money is as important as making it, we offer a full rang of tax-saving programs, too.

It all adds up to a financial plan that's tailor-made f you. Because today, more than ever, we feel that each investment portfolio should reflect the needs and aims of the investor it was created for.

How do you feel when you hear from Dean Witter?

Your smile gives you away every time.

DEAN WITTER REYNOLDS

One investment firm
you'll be glad to hear from.

MONEY & INVESTMENTS

Over the hump

LAST ISSUE in this space we asked the question: "Did Santa bring us a recession?" and replied that he may well have done so; a good many signs were indicating that the long-awaited downturn had finally begun. We were in a distinct minority. Most of the experts were saying that Fed policy had failed to slow the boom. The year was ending on a strong note and nothing the Federal Reserve did in the way of raising interest rates seemed able to turn the upward pitch.

Suddenly we find we have more company. The signs multiply that the Fed has finally succeeded in slowing the economy to a crawl.

Item: The monetarists who look to the magic numbers of M-1 and M-2 to foretell the future were surprised the first week in January to find that there had been an actual decline in the narrowly defined money supply during the final quarter of 1978—contrary to almost all predictions. Then, the week-to-week money supply figures were flat when the experts had predicted multi-billion dollar gains.

Item: The second week in January, New York banks reported that their business loans had dropped a record $1.4 billion (to $38 billion). Regional banks have had declining loan volume (seasonally adjusted) since October. Clearly, the demand for business credit is slackening.

Item: The Commerce Department reported that business' capital spending plans for 1979 called for an increase of only 3%—adjusted for inflation—over 1978's, certainly not the makings of a new boom in capital spending. Most experts had looked for a 4% or 5% increase.

The Economy

Item: For December total employment in the U.S. increased by only 250,000 (*vs.* 400,000 in December of 1977). Since stores probably added more than 250,000 seasonal employees for the Christmas rush, this probably indicated a drop in basic employment.

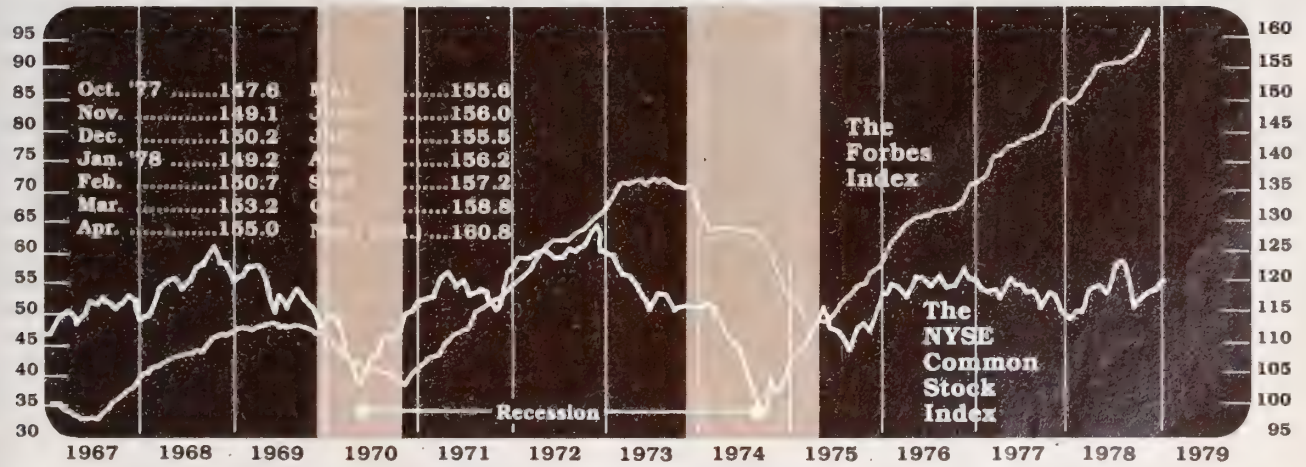
Item: The average factory workweek in December was cut to 40.6 hours, down from 40.7 in November.

Item: The oil workers union settled within the wage guidelines, accepting a pact that involved 8% the first year and 5% the second. The ball was now in the Teamsters' court, but a good precedent was set.

Item: Although consumers had not yet started paying down the mountain of debt accumulated in recent years, surveys suggest that they are becoming uneasy and will soon do so.

None of this suggests that we are heading into a deep recession. But it does suggest that Fed policy is starting to bite and that interest rates will not go substantially higher. In fact, the Fed may already have started worrying about when to start letting rates drop again. Act too soon and it risks having the economy overheat again. Act too late and it risks starting a really bad recession. At any rate, the boom has been checked and lower interest rates lie ahead. ■

The Forbes Index*



Composed of the following:

- How much are we producing? (Federal Reserve Board Index of Industrial Production)
- What volume of hard goods are we ordering? (Bureau of Census latest three months new orders of durable goods related to inventories)
- How intensively are we building? (Bureau of Census privately owned housing starts)
- How much are people spending? (Bureau of Census retail store sales)
- To what extent are consumers going into debt? (Federal Reserve net change in consumer installment debt)
- How costly are services? (U.S. Dept. of Labor service price index related to the consumer price index)
- How much are workers earning? (Dept. of Commerce personal income, wage and salary disimbursements)
- How many people have been laid off? (U.S. Dept. of Labor initial unemployment claims)

*Revised 9/78

In the first couple of years, the President fueled inflation by massive giveaways. Now he is appalled at the results.

BORN-AGAIN JIMMY

By Ben Weberman

IF YOU WANT to nail down some of today's juicy yields, it doesn't pay to accept lesser quality when terrific yields are available in the very best. A Treasury note due in December 1983 pays 9.31% as of late January. As rarely before, quality is the best policy. By moving to a federal agency issue, an issue of slightly lower quality, you improve your yield only by a paltry 0.2% and you sacrifice something in marketability.

What about tax exempts? I can't get excited about a 5.65% yield on Aaa-rated Wisconsin bonds vis-à-vis that 9.31% on medium-term Treasuries. For a couple in a 34% bracket the taxable equivalent yield is 8.56%; for a 49% bracket, the effective yield of the five-year Wisconsins is 11.1%. But you give up some marketability and quality. Wisconsin is great today but what about five years from now? Thirty years from now?

As we point out *(see p. 103)*, FORBES remains convinced that interest rates are near their peak. Nevertheless, we do not expect them to come down quickly—not until the economy has slowed sufficiently to convince the doubters that high interest rates have done their work in protecting the dollar and slowing inflation.

There is substantial distortion in the yield curve today. Normally, long-term bonds yield more than short-term ones; naturally, there is more risk—time risk—in the long-term bonds. A normal yield curve has yields rising as maturity lengthens. But today's yield curve has the highest yields in the short and medium maturities. The reason, of course, is that this is where the Fed is putting its pressure.

Ben Weberman is economics editor of FORBES *magazine.*

Under these circumstances, a sound tactic is to invest in high-yielding medium-term bonds due in four or five years and then, when the yield curve starts to resume a more normal shape, sell them, take the profits and invest in long-term bonds. The point is simply that once interest rates start to drop, they will drop fastest (that is, prices will rise fastest) in the short and medium maturities.

What makes me so certain that interest rates are coming down this year? I'll be frank with you: I am betting on President Jimmy Carter. I think he has become born-again so far as economics is concerned. In the first couple of years of his term he fueled inflation by massive giveaways to pressure groups: farmers, minorities, coal miners, steel magnates, professional urban advocates. Now he is appalled at the results, and so are his advisers who face a reelection campaign that will start in about 18 months. The Carterites know that inflation is a powerful interest issue and they scarcely want to run against an opponent who can pin inflation on Carter. They would prefer to run Jimmy in an environment where inflation has come down and the economy is beginning to recover from the drying-out period of high interest rates that the Fed has imposed. This will take some delicate timing.

John F. McGillicuddy, the very able president of Manufacturers Hanover Trust Co., recently said that he expects the bank prime rate to go a trifle higher—to 12¼% or so from the present 11¾%—hold there in the early months of 1979 and soften as the year goes on. This sounds to me like the most likely scenario. First Boston's brilliant economist, Albert Wojnilower, doesn't agree. He predicts much higher interest rates with Bell System bonds, now 9¼%, hitting 11% by year-end. But Wojnilower is, I think, looking at the economic factors without considering the politics of the situation.

Adding it all up, I can't think of more comfortable place to be right no than sitting with heaps of two-year t five-year Treasuries—totally risk fr and as marketable as cash—with yiel of 9.8% to 9.3%. Even if the intere rate trend should disappoint me and g up further, your loss exposure is min mal due to the short maturities.

A warning about the new savings bonds

Goodbye to Series E and Series U.S. savings bonds. Hello, Series E and Series HH, as of Jan. 2, 1980. Th announcement of the shift by Tre sury Secretary W. Michael Blume thal makes it sound as though he doing the public a great service. The bonds—of which $8 billion were so in 1978—yield only 6% over a fiv year period. The new bonds will hav a maturity of 11 years, 9 months ar will carry the same interest instead the 9.15% you can get today on a te year marketable Treasury.

Blumenthal says the new savin medium "provides Americans at a economy levels with an opportunit to save in a safe and convenient ma ner." Happily for truth-in-borrowir he doesn't say anything about the i terest rate.

The E bonds bought between 194 and April 1952 will not be extende when they fall due between 1981 ar April 1992—40 years after initial sal Those sold after April 1952 will r ceive a ten-year extension and the stop drawing interest.

Series H bonds will get no furth extension if purchased before Ma 1959. The H bonds bought after Jur 1959 get one more ten-year extensio and will come due between 20 and 3 years after initial purchase.

If you have been holding on to you E bonds because you wish to def taxes on accrued interest, be awa that you will have to pay taxes whe these bonds come due—with one m jor exception. The Treasury will allo one last ten-year deferral of accru interest if you choose to exchan your E holdings for H or HH curre income bonds.

Otherwise, the new HHs lack or of the main advantages of the old issues: Interest on them is not a crued but semi-annually paid by chec and immediately taxable. The only r maining advantage is the small d nomination, but for small savers savings account is more convenient.

Sorry, Secretary Blumenthal, but poor investment is a poor investmer no matter who issues it. ■

Why do people call the Chicago Mercantile Exchange the Super Market?

t works.

ere's a statement that's frank- hard to believe: futures trad- g on the Chicago Mercantile xchange tends to reduce osts to consumers while creasing profits to efficient roducers.

is, nevertheless, a statement fact. It's a textbook example free enterprise in action. The ility to provide more for sellers nd more for buyers is explained the incredible efficiency that a uly free, open and worldwide mar- et is capable of producing. Efficiency sults from intense competition. Sometimes, even in our society, there isn't enough competition to go around. But, on the hicago Mercantile Exchange there are literally thousands of buyers and sellers from over the world competing for the best possible price — on everything from U.S. easury bills to frozen pork bellies — every day of the week.

s about as competitive as you can get—and very efficient. The result of efficiency is ore for everyone. That's why the CME has become one of the world's leading nancial institutions.

veryone talks about free enterprise. At the Chicago Mercantile Exchange, we ractice it.

nd it works.

CHICAGO MERCANTILE EXCHANGE

International Monetary Market Associate Mercantile Market

444 W. Jackson Boulevard, Chicago, Illinois 60606

A Federally Licensed Contract Market

What can you do but buy something that gives you a chance to overcome the shrinkage of the dollar's buying power?

FAUTE DE MIEUX

By Heinz H. Biel

THE TURMOIL in Iran notwithstanding, record-high interest rates and various other problems, the stock market went blithely ahead after the turn of the year and enjoyed a broad, if unspectacular, rally. As I have said many times before, the stock market usually goes its own way. Although the writers of market letters and other instant commentators may think otherwise, the news of the day rarely gives a worthwhile hint as to the market's future course.

I have been buying some stocks lately. I have done so not because I am bullish on the economy or on corporate profit prospects this year, but because I can see no grounds for optimism on the future of the dollar. What else can you do with money but to buy something that gives you at least a chance to overcome the 7% to 10% annual shrinkage of the dollar's buying power? So, *faute de mieux*, you buy stocks. By and large they are more reasonably priced than other investment media.

The inflation hedge qualities of common stocks are controversial, and the more deeply you look into the question, the more inconclusive will be your answer. In preparing a talk on this subject, I picked some six stocks, more or less at random, that a conservative investment counselor might have suggested to a client in the late 1960s. Here they are:

	1968 Average	Year-end 1978
Avon Products	65	50¾
Coca-Cola	35⅞	43⅞
General Motors	81¼	53¾
R.J. Reynolds	43¾	56⅝
Sears, Roebuck	32⅛	19¾
Texaco	40⅜	23⅞

Standard & Poor's had given its top-quality rating of A+ to five of the six. Only General Motors was rated A. Taking 1968—the year in which inflation began to get really bad—as the starting point, the average 1968 high/low price of the six stocks was $49.73. Ten years later, at year-end 1978, the average price was down to $41.44, a decline of 16.7% during a period in which the Consumer Price Index doubled. Stocks were indeed a poor inflation hedge.

Then I made a few substitutions, but stayed in the same industry:

	1968 Average	Year-end 1978
Revlon	27⅛	51⅜
PepsiCo	15½	25⅝
Caterpillar Tractor	28¼	58¾
Philip Morris	14⅛	70½
S.S. Kresge*	12	22½
Phillips Petroleum	16⅜	31⅝

*now K mart

Only Phillips Petroleum had the S&P A+ rating. The others were rated A or A- and Kresge, a lowly B. Using the same method, the average 1968 price of $18.91 rose to $43.40 at year-end 1978, handily beating the rate of inflation with an advance of 129.5%. Does this not prove that stocks are a superb inflation hedge?

I leave it to the reader to draw his own conclusions about this. One point is obvious, however: Don't just look at the so-called quality ratings. A little oomph can make a great deal of difference.

I have always been intrigued by the choice of companies in which Mr. Singleton invests the surplus funds of Teledyne and its subsidiaries. None of them has been a sparkling success so far, and there are some, like Curtiss-Wright, for instance, where I just can't see the appeal. There is, however, one exception, *Eltra Corp.*, which reached a new alltime high last year and in which Teledyne has a smallish (8%) interest.

Eltra, whose sales topped the billion dollar mark last year for the first time, makes a variety of electrical products and its Mergenthaler division is a leading manufacturer of phototypesetting equipment. The company has a good record of growing earnings and rising dividends, currently at a new high of $4.20 a share and $1.34, respectively. The company's financial health seems sound.

The company has recently been subject to some vague takeover rumors, and since the stock (at 29) sells at a modest multiple of 7, and at a good discount from its book value of $34.18 a share, this might make sense. However, *American Manufacturing Co.* (34½ on the Amex), a small company (only about $40 million sales), which makes ropes and twine, industrial timers, counters, etc., already holds about 28% of Eltra stock. This would make an unfriendly takeover attempt rather difficult.

Some companies are extraordinarily successful in establishing for themselves a secure niche in the nation's economy, where they can be the big frog in a small pond. *Rubbermaid* (25) would seem to fit that description to a tee. The company makes an incredible variety of plastic and rubber products, and you would be surprised how many of those products you have in your kitchen, laundry room, car and elsewhere in the house. Presumably there is competition, but all one knows is Rubbermaid.

This is a little gem of a company with steadily rising sales, earnings and dividends. It is understandable that Rubbermaid has been pursued over the years by many suitors and marriage brokers who wanted to get hitched, but the company preferred to go it alone.

Earnings for 1978 are estimated to have been in the $2.40-to-$2.50 range, a new high, of course. Dividends have always been a bit skimpy in order to finance the growth of the business, but they have tripled in the past ten years to a present rate of 76 cents.

The price of the stock has come down quite sharply from last summer's high of 34½, where it was, let's say, somewhat generously priced. How the stock ever managed to get above 50 (in 1973) is one of the mysteries of Wall Street that I'll never be able to explain. At its present multiple of 10, Rubbermaid sells at an uninflated price. In my book this is a sound conservative investment. ■

Heinz H. Biel is a vice president of the NYS firm of Janney Montgomery Scott

In today's nervous stock market, should you. . .

Buy? Sell? Do Nothing?

More specifically, what should you do NOW about these (or 1700 other) fast-changing stocks?

AT&T	EASTMAN KODAK	RCA
BALLY MFG.	EXXON	RAMADA INNS
BOEING	GENERAL MOTORS	SEARS ROEBUCK
CHRYSLER	ITT	SONY
CITICORP	OCCIDENTAL PETRO.	TEXACO
DOW CHEMICAL	PAN AMER AIRLINES	UAL
EASTERN AIR LINES	POLAROID	WESTINGHOUSE

e've picked the 21 stocks above for illus-ation—from more than 1700 regularly vered by The Value Line Investment Sur-y—because each has recently been on the ost active" list and may therefore be of ecial interest.

e stock market, and the investment values erein, are now going through a great deal rapid change. *This is no time to sit on your nds.* It is urgent, we think, that you check thout delay every stock that interests or ncerns you to see if it currently offers the vestment credentials most important to u. To illustrate, let's look at the stocks ted above:

ERFORMANCE: Every one of these ocks—*at one time or another*—has offered e prospect of superior relative price per-rmance. Right now, however, Value Line tings suggest that 5 of these stocks ould be avoided for the time being. On e other hand, we estimate that 7 of the ocks above will clearly outperform most her stocks in the next 12 months.

AFETY: Eight of the stocks listed carry perior Value Line ratings for Safety, mean-g they have typically demonstrated great-price stability than the majority of stocks. e other stocks on the list rate only average lower on this score.

IELD: The dividend yields of these stocks timated by Value Line for the 12 months ead range all the way from 9.7% to Nil. an of the stocks offer yields below 4.9%. nly 6 stocks provide yields of 6.5% or gher.

PPRECIATION: Value Line's estimates Appreciation Potential in the next 3 to 5 ars for these stocks range all the way from paltry 25% up to more than 300%. Eight ocks offer long-term potentials of 175% higher.

he data above come from a recent issue The Value Line Survey. For actual invest-ent decisions, be sure to see the *latest* eekly Value Line edition.)

HERE ELSE CAN YOU ET ALL THIS?

lue Line gives you the key ratings out-ed above, updated every week, for EACH 1700 stocks—so you can make *coherent* mparisons of any stock against any others th respect to the investment attributes you re about. In addition, Value Line regularly esents comprehensive full-page Research eports, with 15-year vital statistics, for each 1700 stocks.

e apply the same quality and comprehen-veness of research and evaluation not only virtually every "big name" stock (like the es listed above) but also to more than a ousand "lesser" stocks—which make up a gnificant part of a great many portfolios.

We realize that when YOUR money is involved, an investment in U.S. FILTER can be just as important as the same amount in U.S. STEEL.

If you want to re-assess your stock portfolio with an eye to greater rewards and/or lower risks in today's unusual market. . . . if you want to make *rational* decisions about what stocks to hold, sell, or buy now. . . . we believe that no other source even comes close to providing the help that Value Line systematically gives you.

UPDATED EVERY WEEK

Every week, Value Line's new *Summary & Index* presents up-to-date ratings of EACH of 1700 stocks *relative* to all *the* others, as follows. . . .

a) Rank for Probable Price Performance in the Next 12 Months—ranging from 1 (Highest) down to 5 (Lowest). We urgently suggest you *stay away* from the 400 stocks now ranked 4 or 5.

b) Rank for investment Safety (from 1 down to 5). If Safety is important to you, we suggest you concentrate on stocks ranked 1 or 2 in this respect.

c) Estimated Yield in the Next 12 Months. Every week we also present a "screen" of the 100 stocks with the highest yields, which recently ranged from 9.6% to 20.9%.

d) Estimated Appreciation Potential in the Next 3 to 5 Years—showing the percentage change from the recent price. Every week we also present a "screen" of the 100 stocks with the highest potentials, which recently ranged from 235%to 575%.

e) P/E Ratio and current price, plus estimated annual earnings and dividends in the current 12 months. Also latest quarterly results vs. year ago.

PLUS FULL-PAGE REPORTS

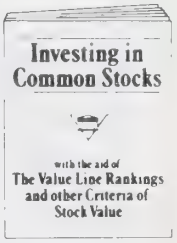
In addition to the weekly coverage above, each of the 1700 stocks is the subject of a comprehensive new full-page Research Report at least once every three months—including 22 series of vital financial and operating statistics going back 15 years and estimated 3 to 5 years ahead. About 130 new full-page Reports like this are issued each week. . . 1700 every 13 weeks.

SPECIAL INVITATION

You can receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 10 weeks for only $29—about HALF the regular rate—if no one in your household has subscribed in the past two years. And you get these two bonuses:

BONUS #1— Value Line's 2400-page *Investors Reference Service* including our latest full-page Reports on each of 1700 stocks—fully indexed and looseleaf-bound for easy reference, and systematically updated by new full-page Reports in the weeks ahead.

BONUS # 2— *Investing in Common Stocks*, the 64-page "classic" by Arnold Bernhard, Value Line's founder and research chief, revealing methods of stock evaluation that took decades to refine. You KEEP this book even if you return the other material for your money back.



This subscription is tax-deductible if utilized to aid in the management of your investments.

To accept this invitation, simply fill in and mail the attached coupon today.

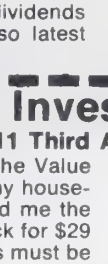
The Value Line Investment Survey

Arnold Bernhard & Co.,Inc. 711 Third Avenue, N.Y., N.Y. 10017

516K05

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS



A famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year —and send payment now.

☐ 1 year for $295. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $295. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid.

Subscription tax-deductible and non-assignable. Foreign rates on request (NY residents add sales tax)

Executives and Professional People

BORROW up to

$25,000

by Mail

If you need money...it's good to know you can borrow in utmost privacy...by mail. We are geared to serve the needs of the executive or professional person. Competitive rates, payments. Prepay without penalty. Interest is tax deductible. Mail coupon in confidence.

POSTAL EXECUTIVE FINANCIAL SERVICES INC.

C. E. Wilson, Vice President
Dept. 0390
14201 E. 4th Ave.
P.O. Box 39F
Denver, CO 80239

Write to:
C.E. Wilson, Vice President,
Dept. 0390
14201 E. 4th Ave., P.O. Box 39F
Denver, CO 80239

Send complete information and a loan application

Name_____

Address_____

City_____ State_____ Zip_____

affiliate of The St. Paul Companies, Inc.

963

THE DINES LETTER

Special ½ Price Trial Offer!!

In late 1968 **THE DINES LETTER** predicted a long and bitter bear market (concealed by the bloating effect of inflation) together with gold soaring from $35 to the $250-$400 area. While these predictions have not yet come true, **THE DINES LETTER has never stopped reaffirming them.** At this critical juncture, we simply want you to **see THE DINES LETTER** and we will not let price be an obstacle! So, we've cut our regular "trial package" price of $10 in half to $5! What harm could be done by merely examining a pro-gold point of view not found in Forbes? **THE DINES LETTER** specializes in gold. No math or special knowledge required. Send no messages. Merely forward this ad with your name, address and $5 to Dept. JF9M2. Do it now—we don't advertise in Forbes very often and you might not catch our next ad. Offer expires in one month.

Gold and gold stocks soared in 1978 at a time when many other stocks plunged. If your present sources of advice are negative on gold, maybe it's time to get a different point of view. Let **THE DINES LETTER** explain **"The Coming Gold Crisis and The Invisible Crash."**

THE DINES LETTER
P.O. Box 22, Belvedere, California 94920

(Not assignable without your consent)
(NY residents, please add applicable sales tax)

If there's a market drop that justifies "panic," buy some more; and don't worry too much

A NEW YEAR'S RESOLUTION

By John Train

ONE OF MY CLIENTS (and friends), who is a keen yachtsman, made a very good buy several years ago of a Friendship Sloop, a charming type of cruising boat that's popular in Maine, where we both go summers.

What happened was that the previous owner of the vessel had traded up to a larger boat, and to pay for it had offered this one for sale at $25,000. He'd found a buyer, but the prospect evaporated just before the closing. So to raise cash for the new boat the unhappy seller had to make a fire sale of the old one at $21,500, at which point my client stepped in and made an outstanding buy.

He liked talking about it. He even told me that it made him feel better while sailing around to think what a good deal he'd made. (I told him this was a vulgar idea.)

Then came a surprise. An estate was liquidated and one of the assets, another Friendship of about the same vintage and finish as my client's boat, sold for even less than he had paid.

My client was disgruntled. "If only I'd waited," he wailed.

I told him he was being silly. He was as well off as he had been when he was so pleased. He had his same boat at his same bargain price.

There's an analogy here to the way people feel about securities they own. If you buy IBM today, you're getting a return of nearly 5%, with dividends likely to rise at 13% to 14% compounded (faster than the earnings, since the company is generating such a torrent of cash that it doesn't know what to do with it all). Dow Jones & Co., likewise. If you buy Marsh & McLennan you're getting well ov 5%, with similar growth prospec The same approach applies to a other company you buy an interest i You're acquiring a future stream earnings and dividends. If the de suits you at the price you pay, t business does well, and the earnin and dividends come through schedule, why worry all the tir about the possibility of a further c cline in the stock market? The quo tion on any given day doesn't chan the nature of what you own, any mo than my client's Friendship Sloop ro or fell in the water every time anoth such vessel sold at a different price although he almost seemed to feel did. And a lot of buying and selli will cost you more than you'll mak even without considering the wor and loss of time.

The nuttiest of all is to panic a sell just because prices go down.

Suppose my friend had bought h sloop at $23,000, then had heard th the most recent sale for a similar ve sel was at $21,000, and finally h gotten desperate and *sold* his perfect good boat at that price out of fear th it might "go still lower."

Crazy, right?

His boat was the same as befo still sitting in the water day after da It suited him, so why sell it?

But lots of small investors—spec lators, really—buy a stock at 23 b cause "it has been as high as 30," a then sell out in a panic if it goes down to 19, even though the thi they own is in no way changed, e cept that it's a better bargain.

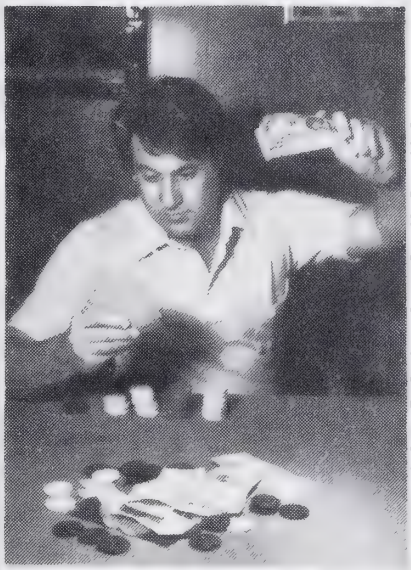
This is most likely to happen if y don't understand what you're buyin The *investor* knows what he's buyin to the extent possible. If it fulfills h expectations as a business—that is, the earnings and dividends hold up he can view the market jiggles wi equanimity. Perhaps, indeed, the i vestor buys more if the market ev really collapses.

Of course, the same principle wor

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

verse. It always seems too hard to
ve, but two or three years from
excited speculators will be
ng stocks that have risen spectac-
y from today's levels and are sell-
or more than they're worth, be-
e they're supposed to go up even
er. Exciting stories will go
nd about how neighbor Jones
ht Federated Fido last month at
d here it is at 15, so let's rush in.
you feel, as I do, that there are
remarkable values available to-
n the growth stock market but
esitant to plunge in because they
go lower, here's a suggestion:
ke small initial purchases of the
s that interest you. You'll start
ng the quarterly reports and read-
ews announcements about the
anies. The reality of the underly-
usiness, of which you're now an
r, will start sinking in and start
cing your feeling that the stock is
fly on the wall that could sud-
buzz away and leave you with
ng. If the price goes down, just
of it as a bargain opportunity
ick up a bit more.
a word, start thinking as an own-
t a speculator.
interesting bit of evidence for
approach appears in *Winning*, a
t book by stock market psychol-
Srully Blotnick (McGraw-Hill,
0). The Blotnick team followed
ctivities of 1,103 investors from
to 1976. Only 53 investors in the
e group made sizable gains—not
f whom was the kind who fussed
about the market. Only four did
andingly well. Playing hot stocks
d to be the surest losing strategy,
he harder the hot stock operators
the worse they did. Believe it or
99.9% could not consistently
tops and bottoms in the stocks in
h they were interested.
is almost amusing to note that
of the investors who guessed
g about any particular market
erroneously recalled six months
that they had guessed right.
's more, they felt they ought to
ccessful the next time as well,
ndeed do better, now that they'd
more practice."
the more reason to doubt your
ability to pick tops and bottoms.
t try. Start in by making a partial
mitment at what seems like a
value, rather than taking an all-
thing plunge. If there's a market
that justifies the word "panic,"
some more; and then don't worry
nuch. ■

POKER PLAYERS!



This man is bluffing. How do we know? FREE BOOKLET explains.

CALL TOLL FREE

1-800-634-6114

- We'll rush FREE booklet (#464) explaining NEW 656-page SUPER/SYSTEM—the scientific, ACTION way to destroy any Poker game in America.
- The SIX greatest Poker players alive devoted 14 months and spent nearly half a million dollars to create SUPER/SYSTEM. Includes "TEXAS DOLLY" BRUNSON, the grandmaster who won World Series of Poker title in BOTH '76 and '77, BOBBY BALDWIN, brilliant '78 champion and four more superstars of Poker.
- SUPER/SYSTEM has electrified the Poker world! Who says? JIMMY THE GREEK, LOS ANGELES TIMES, AMARILLO SLIM and virtually every heavyweight Poker professional.
- NOW, a powerful COURSE in Poker, taught by the best SIX experts money could buy. Even a final exam and a Power Poker diploma. It's a Poker miracle!
- SUPER/SYSTEM has won the last THREE World titles! It trains YOU hand by hand to use big-money POWER POKER. You master Draw, Lowball, Seven-Stud, Hi-Lo Split, Hold'em—every popular form of Poker.
- Phone for your FREE BOOKLET (No obligation, no salesman). Or send name and address to: SUPER/SYSTEM #464, 1718 INDUSTRIAL ROAD, LAS VEGAS, NEVADA 89102

You learn long-guarded secrets of Power Poker.

Wise old saying—

"REACH FOR HIGH INTEREST RATES BUT KEEP YOUR MONEY WITHIN REACH."

CD's are fine for some purposes, but not for liquidity. Six months can be a long time in a fast-changing world—not to mention six years.

Let us help you obtain the best of both worlds—

HIGH INCOME AND LIQUIDITY.

Toll-Free Telephone Redemption • Free Check Writing

ROWE PRICE

PRIME RESERVE FUND

A No-Load Money Market Fund

Call toll-free 1-800-638-1527. If busy, or in Maryland, call 301-547-2136 or write Prime Reserve Fund, 100 East Pratt Street, Baltimore, Maryland 21202.

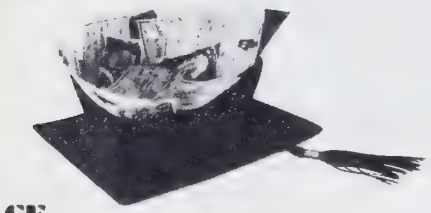
A-6

Name Address

City State Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

Give to the college of your choice.



CF AE

Ad Council

A Public Service Message from Forbes Magazine & The Advertising Council

OWN YOUR OWN MONEY BUSINESS

REPRESENT OVER 2,000 U.S. SOURCES OF CAPITAL

"BECOME A FINANCIER"

Ideal for executive type person. R.E. Ins. and stockbrokers. Operate from your own dignified professional office. Clients come to you for Business Capital Assistance. Must be sincere with well-rounded business background. Instant Hi income for right person.

$U.S. 18,000 Cash Will Handle

For details write giving phone no. to

OR Call Mr. Vander: (213) 463-4841

Dept. 5 Computer Capital Corp
6922 Hollywood Blvd. Los Angeles, Calif. 90028

Investing is a continuous chain of action and reaction oblivious to man-made conventions like weeks, months and years.

60 DAYS HATH DECEMBER

By Ann C. Brown

ANY INVESTOR who thinks 1978 was over with the playing of Auld Lang Syne, a glass of champagne and a couple of funny hats isn't playing with a full deck. While *calendar* 1978 may have ended at midnight the 31st, *economic* 1978 drags on, full of Christmas bills, income tax forms, state of the State and state of the Union messages and all manner of folk continuing to guess what 1979 will bring. What February is to groundhogs, January is to economists. They emerge briefly, make shadowy predictions and dive back into their econometric models praying that their listeners will have forgotten what they said by next year.

As far as I'm concerned, January is just another month, and should not be imbued with any special powers of divining the year as a whole. That the DJI was up 25 points the first week was nice but certainly not enough to suggest that you mortgage the house and throw all your money willy-nilly into the stock market. Too many things can happen in this fast-moving world of ours to bet all your chips on the outcome of any one week's numbers or any one month's numbers, for that matter. Investing is a continuous chain of action and reaction oblivious to man-made conventions like weeks, months and years. Make every decision to buy or sell on the merits of the situation as you perceive it, not on old adages or the calendar.

If there's one thing that makes me mad, it's recommending a stock whose price goes down when everything else about the company suggests it should go up. An excellent case in point is *United Inns* (11), which I suggested to readers (FORBES, *Oct. 1, 1978*) at 15. At that time, I estimated the earnings for fiscal 1978 to be anywhere from $2.10 to $2.50, up from $1.35 in 1977. Sure enough the earnings came in at $2.10 and the stock promptly dropped to the $8 level for some inexplicable reason. Since the with the tax-loss selling out of the way, United Inns has bounced back a bit but not anywhere near its 12-month high of 19⅛ even though the outlook continues to look bright. To refresh your memory, United Inns is a major licensee of Holiday Inns in the southern and southwestern U.S. Currently the company has over 8,000 rooms coast to coast and plans to add another 2,000-plus over the next three years. Since I'm inclined to think that the probability of gas rationing is slight and that the expected high gasoline prices will not sharply curb domestic automobile travel, I continue to recommend United Inns. At 3 to 4 times estimated 1979 earnings of $2.50 to $3, there would appear to be limited downside risk and considerable upside potential if the "gasoline jitters" turn out to be just that and nothing more.

Another stock that has had a recent attack of the vapors is *Santa Fe International* (30). Originally recommended at 25 (FORBES, *Jan. 9, 1978*), the stock shot up to over 40 before falling out of bed. Most of the disappointment came from the company's announcement that the oil production from the North Sea's Thistle Field would be only half of what was earlier expected. However, due to a little help from the recent OPEC price increase and the widening premium paid for light crude oil, Santa Fe International may be able to earn $3.70 in 1979, up from an estimated $2.80 for the year past. In addition, the Drilling division

Ann C. Brown is executive vice president of the New York investment firm of Melbado, Flynn & Associates.

een invited to chat about drilling
entures with both the Arabs and
Chinese. Hearty souls foresee
ngs of $5.35 in 1980 and a big
end pop from the current 60
to $1.40.

ally, among the stocks recom-
ed in 1978 and now back in a
g range is *Taft Broadcasting* (20),
n sold at 25 last year after a 2-for-
t in August. Here again the con-
seems to be related to gasoline
bility plus talk of a recession,
n could result in lower earnings
company's amusement parks. If
fears prove to be unfounded and
nefty contributions to profits
the company's broadcasting op-
ns continue, Taft Broadcasting
earn $3.25 or more in the fiscal
nding Mar. 31, 1980, up from an
ated $2.90 or so for the fiscal
oon to be reported.

dia General (19) owns and oper-
couple of TV stations and three
TV systems although most of its
ne comes from newspaper pub-
g and newsprint paper produc-
While the latter business is cycli-
has the unusual characteristic of
more profitable in a slower
my. The company recycles
newsprint that is used as a
ng material, and, therefore, be-
s cheaper to buy as housing con-
ion and nonfiberglass insulation
e. Currently, Media General is
ng a newsprint recycling mill in
ership with Knight-Ridder
papers and Cox Enterprises that
ted to come on stream around
ear. As of the moment, it looks
Media General will earn around
for 1978, up from $1.82 a year
r. This year $2.70 seems attain-
nd here, too, a sizable dividend
se appears in the offing.

Glatfelter Co. (24) is also in the
business, but this 115-year-old
any produces uncoated book pa-
vriting paper and coated book
which many analysts believe
e the best paper market in the
ry this year and next. Glatfelter
it to complete its acquisition of
rom Paper Co., another major
er in its field, which should add
ntially to the company's total
nd earnings. For 1978, earnings
timated to be $3.70, up from
in 1977. For 1979, $4 to $4.50
possible with a big jump to
n $6.50 and $7 a share forecast
0. The Glatfelter family holds
40% of the common stock,
suggests buying with care. ■

Everything the sea touches, it destroys. Everything Grow Chemical touches, it protects.

Everything – from the largest supertanker to a child's pail and shovel – the sea eventually destroys . . . with rust, corrosion, rot and even manmade pollution.

That's why we depend on the protective coatings produced by Grow Chemical and its Devoe Marine Division.

Since 1754, Devoe People have fought successfully against the ravages of the sea, developing coatings to keep pace with the moves from wood to steel to aluminum and fiberglass. Today Devoe makes Devran® and Cathacoat.® High performance coatings that go outside, naturally. But, go inside, too, for cargo and ballast areas.

Devoe Marine Products protect them all, from the family sloop to the largest super tanker. We even protect the ships that protect us, from carriers to atomic subs.

People who live with the sea know Grow Chemical through Devoe Marine.

People who know investments know Grow. We've reported increases in sales, earnings, and earnings per share for each of the past 5 consecutive years. And, we're the company that, since 1964, has paid stock dividends totaling more than 78%. That, in addition to paying 58 consecutive quarterly cash dividends.

Shouldn't you know Grow, too. Write Grow Chemical Corp., 200 Park Avenue, New York 10017. We'll be happy to send you a corporate profile and our annual report.

GROW CHEMICAL

26 Smaller Companies With Special Attraction In Today's Stock Market.

Our new report singles out 26 interesting smaller companies and explains why our analysts feel they offer attractive investment possibilities in 1979.

You'll learn about:

- ☐ A leading controls maker whose new fuel optimization system could help double earnings in two years.
- ☐ A pioneer in modular office furniture systems whose earnings look as good as its product.
- ☐ A major installer of electric transmission facilities with near-record earnings and a stock price well below book value.

This is just a sampling. Our 40-page report gives unhedged opinions on all 26 companies. For your complimentary copy, simply mail the coupon or call

Toll Free (800) 431 2494
Except In New York State
Call (212) 742 7552.

Mail to:
Loeb Rhoades, Hornblower & Co.
P.O. Box 7000, Pelham Manor, NY 10803

Please send me a complimentary copy of your new report *26 Interesting Smaller Companies.*

Name _____ (Please print)

Address _____

City _____

State _____ Zip _____

Bus. Phone _____

Home Phone _____

Loeb Rhoades, Hornblower clients, please include your broker's name and branch office:

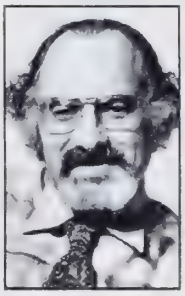
Loeb Rhoades Hornblower

Member SIPC SIFOR0205905

It will be the stupidity of the Federal Reserv Board that finally brakes the acceleratio of interest rates and inflation.

SAVING US FROM PROSPERITY

By Martin T. Sosnoff



THE UNIVERSAL belief that the American economy is bound for the mat means to me that it will happen later than sooner. A year ago all the economists expected business to poop out by the end of 1978 and nothing happened. Why should 1979 be any different? You say short-term interest rates are 300 basis points higher now and biting deeper, and housing prices have begun to peak out as mortgage money heads toward 11%? But, so far, the consumer keeps the pot boiling. Recession is still just around the corner.

Buy now! The middle-class rallying cry is heard all over. First-class airline seats are hard to come by. The lift lines at the ski resorts are a little longer. Vintage Bordeaux escalates 20% per annum. Everyone drinks it. The Concorde is sold out weeks in advance. You can breakfast in Zurich, lunch in London and dine in New York on the same day all at the same price. Why should the good life come cheap?

It is now time to judge the incumbent economic leadership of the country, and by all counts, they rate maybe two on a scale of ten. It has taken two years for the populist streak down Jimmy Carter's back to be erased by the realities of the dollar's demise and its contribution to domestic inflation. Meanwhile, the gradualist policy of the Federal Reserve Board got us nowhere. The Board couldn't even control money supply growth within reasonable bounds. The focus in Washington is no longer the energy czar but the inflation czar. And yet, the budget remains mildly inflatic ary for fiscal 1979.

It is unrealistic to expect the A ministration to pull us down from t inflationary spiral. Rather, it will the stupidity of the Federal Rese Board, not its perspicacity, that fin ly brakes the acceleration of inter rates and inflation. The law of unfo seen dynamics does not stem a cre crunch, but it will break the back the economic cycle. Housing is t sacrificial lamb.

The peak rate of new constructi will crumble from 2 million units c rently to below 1.5 million units at annual rate by late 1979. Assuming other sectors of the GNP hold u capital spending, consumer spendi inventories, the federal budget, *et a* it will leave only housing, a politica diffused industry, as the safety val Obviously, if the Administration cides on selective credit controls, c sumer spending will be crushed. T automobile industry is the loser, a the yowl from General Motors a George Meany will be heard 'rou the world. I doubt the Administrat is ready to take them on.

How does the housing industry from 2 million units to 1.5 milli Everyone has made money on housing stock. Valuations in aggreg have risen $400 billion in the past f years. This is the equivalent of a point move in the Dow industr and is the only reason why the co try has a strong sense of its own af ence. Actually, if you adjust for in tion there has been no real gain personal wealth. By now, everyone alizes the real cost of mortgage mo is next to nothing. If you pay 10% inflation cranks out at an 8%-to- rate, you have lucked out. Not high cost of mortgage money, but limited availability will destroy r construction activity.

An enormous new money mar instrument was created under the a

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

of the Federal Reserve Board
l mid-1978 when it allowed the
s and loan industry to compete
banks for short-term funds.
how the new dynamics of the
market probably will create a
nancial panic by the summer of
vhen short-term rates will prob-
it 13% and prime bonds spike
%. The savings and loan indus-
ll run out of cash flow for new
ıge commitments and thereby
ıtate a housing-induced reces-
by year-end. The reasons for
g interest rates are tied to the
ing profitability of the savings
an industry because of their ag-
re selling of six-month savings
cates at a premium to Treasury
es.

ady, profit margins have begun
ink for the S&L industry and
ıre writing six-month certifi-
t an enormous rate—more than
lion a month. Outstanding cer-
es will exceed $100 billion by
pring, an enormous new money
t instrumentality. Savers have
some of their 5% passbook
into certificates, thereby in-
ıg the imbedded costs of funds.
profit margins wither for the
s banks, they will beg the Federal
e Board to abolish the certifi-
This should happen around mid-
nd when it does, it will create an
ous dislocation in the money
t and lead to a vacuum in mort-
ıoney availability. Initially, the
of approximately $100 billion in
cates will find its way into alter-
instruments such as certificates
posit and T-bills. Meanwhile,
will be no cash flow available
the S&Ls for mortgages. The
uential bidding up of mortgage
vill goose other long-term rates.
ıg and possible capital spending
ough off. The liberal Democrats
ream about the crucifixion of the
owner.

arly 1980, both short- and long-
ates will sputter like a collaps-
loon. The stock market enjoys
g-lived rally as the country
s into a moderate recession
sts for most of 1980. All of us
ue flying first class. The Shah's
enjoys the sun in his com-
in Beverly Hills while we re-
8th in line for takeoff. In short,
g much changes. Only the
r of the Federal Reserve Chair-
ip will have saved the country
alloping prosperity. Thank you,
ller. ■

Your retirement benefits from planning ahead.

Scudder managed IRA, Keogh & 403(b) Plans.

Retirement is too important not to plan for wisely. You can establish a retirement plan to provide tax savings now while building a fund for your future.

Scudder managed retirement plans are easy to start. Scudder handles most of the paperwork and there are no sales charges.

Several no-load funds are available allowing flexibility to tailor a plan to suit your needs. Ask for our free booklets today.

Call 800-225-2470 anytime, toll free. In Mass. call collect (617) 482-3990.

SCUDDER
SCUDDER, STEVENS & CLARK INVESTMENT COUNSEL

Scudder Fund Distributors,
175 Federal Street, Boston, Ma. 02110

☐ IRA Plan ☐ Keogh Plan ☐ 403(b) Plan

For more complete information, including management fee charges and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name_____

Address_____

City_____ State_____

Scudder Retirement Plans

"I couldn't believe that just walking could be such good exercise. But it's true."

Will and Tish Grant have discovered that there is a way to get in shape and stay in shape that is simple and fun. More important—it works. They follow these rules:

1. Start gradually. When you begin, just walk briskly for 15 minutes or so each day. (That's right, just walking will improve your circulation and muscle tone.)
2. After a week or two, increase your level of activity a little bit each day. Soon you'll be up to a half an hour a day. Then, when you're ready (your body will tell you when), jog, ride a bike, or swim. Follow one routine or a variety; do whatever you enjoy the most.
3. Set a specific time each day. Perhaps at lunch time or after work. Make exercise a part of your daily routine.
4. Get a friend to join you. Someone to talk to. Make it fun, not a chore.
5. Most important, stay with it.

In the long run, you'll be the winner.

For more information write:
Fitness
Washington, D.C. 20201

PRESIDENT'S COUNCIL ON PHYSICAL FITNESS & SPORTS

Last year was the first since 1973 that Free World copper consumption exceeded production by a sizable amount.

A CAPER IN COPPER

By Stanley W. Angrist

SUCCESSFUL commodity traders know that the seasons can provide them with the edge that can turn a losing year into a profitable year. That is, certain commodities exhibit price patterns that repeat each year more often than not. Copper is one of those commodities that frequently exhibits seasonality.

The chart below shows what has happened to the price of copper for the nearest futures contract from 1974 through 1978. Copper seems to increase in price at least a few cents a pound at the beginning of every year dating back to 1969 (1978 was the exception). I believe that copper could undergo such a price rise this year for a number of reasons. There is also one big reason why copper might not rise.

First, the negative. Copper is a very important industrial commodity. It is widely used in the manufacture of electrical goods, and in all types of construction for wiring and plumbing. How can one make a bullish case for copper in the face of a recession that many economists have assured us is 99% certain? Well, it's not easy but it's not impossible either. Let's look at the fundamentals.

U.S. and foreign output of crude and refined metal is about unchanged from year-ago levels. Furthermore, Canadian output was down for 1978. (Canada's average cost of production is even higher than that of the U.S.) Zambia's military/political situation has created serious transportation problems for producers there. Intermittent labor problems in Peru have interrupted production. Chile, second only to the U.S. as a producer, has low costs and its output during 1978 was running at normal levels.

Shearson Hayden Stone, Inc. in a recent report states that 1978 was the first year since 1973 that Free World copper consumption exceeded production by a sizable amount. This condition has begun to eat into the huge overhang of supplies that have burdened the market in recent years. For example, in January 1978 there were 640,000 tons at the London Metal Exchange (LME); in recent weeks LME stocks have dropped to less than 374,000 tons.

A look at the demand side is also instructive. Copper consumption, as measured by deliveries to fabricators in Europe, has been running well ahead of a year ago. Both European and Japanese demand is expected to remain good. There is some talk now of the U.S. creating a stockpile of between 150,000 and 200,000 tons for use in the event of a national emergency. While it's true that a recession is expected by almost everyone, which would, of course, be bearish for copper, no one expects it to be very long or deep if for no other reason than that 1980 is an election year.

The People's Republic of China has recently bought copper for prompt delivery on the LME. Trade sources view China's large-scale drive toward industrialization as a new source of demand for the red metal. China is also negotiating with Japan to build smelters so that domestic copper ore can be processed. However, it will take several years for such projects to be completed.

There are two ways that one can trade a rise in copper prices. One would be to simply go long the May contract at current levels; I would not risk more than 3 cents per pound ($750 per contract) on this trade. The margin would be about $1,000.

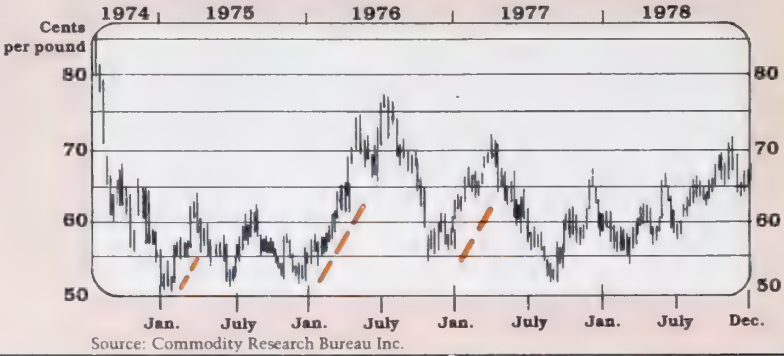
The other method would be to buy a Mocatta copper option. (See my column in the Jan. 22 issue for a fuller explanation of the advantages and disadvantages of options.) Keep in mind that these options are the right to buy 50,000 pounds of copper so that each option is equivalent to two futures contracts. Recently, a March 1979 option with a strike price of 72 cents was quoted at $740, while a July with the same strike price was offered at $2,960. On a rise to 82 cents, the 72 cent options would have a minimum value of $5,000 and substantially more if the option had several months of life left. If the May futures contract were to move up 6 cents per pound, a profit of $1,500 would be generated. Both the futures calculation and option calculation ignore commissions.

Will copper stage its (almost) annual rally in the face of high interest rates and a slowing economy? We'll know the answer in July, but then it won't be nearly as interesting a question. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

Ups and downs in copper

As the dotted lines below show, copper has tended to rise in price at the beginning of the year. An exception is 1978. The price should resume its upward trend in 1979.



Source: Commodity Research Bureau Inc.

Forbes Index

mpanies covered in news stories and by the in this issue

nken 56
rary Services 78
..... 37
udlum 38
nical 62
yanamid 67
xpress 69, 99
eneral Insurance 92
Mfg 106
p 56
al 36, 99
..... 77
athaway 77
cker 54
k 78
..... 70
..... 37
h 56
ters 13
..... 36
nn 78
rp 52
e & Safety 13
ises 111
..... 91
l 70
..... 66
Bernbach 77
..... 67
dak 35, 99
..... 106
ctric 56
..... 12
..... 100
deration 70
..... 36
er 67
ven Inds 91
..... 38
er 111
..... 78
..... 39
tern 12
kard 70
s 38
..... 70
a Roche 6, 92
prics 70
..... 70, 108
Group of Cos 72
es 78
..... 80
ttle 62
..... 70
..... 37
rmott & Co 62
l 69, 99
ric Works 56
Lennan 108
ral 111
..... 94
h 70
..... 70
..... 36
ific 70
lines 53
decom 70
luminum Prods 67
v Corp Ltd 70
..... 70
ther 77
..... 78
..... 36
a 53
llurgical 38
west Airlines 52
..... 78
..... 94
p 38
..... 35
roup 100
fe Ins 53
can 84
l 54
..... 37
..... 8
..... 106
l 110
ugh 70
socs 91
handise 100
..... 54
..... 56
s 78
..... 70
sting 111
nical Inds Ltd 94
..... 37
mpson 72
..... 67
..... 92
nologies 110
..... 38
..... 38
c 94
ce Co 12
nson 70
don 38

MAPCO IS PIPELINES, BUT...

Pipelines are only a part of the MAPCO picture. This integrated energy company also produces and markets oil, coal, gas and gas liquids, retails LPG, liquid fertilizer and appliances, produces sonic instrumentation devices, filtration equipment and other water pollution control products. For a closer look at MAPCO's diversification and profitable growth, write for our current report.

mapco INC.

Dept. P, 1800 S. Baltimore Ave
Tulsa, Oklahoma 74119
SYMBOL MDA • NYSE
MWSE • PSE

COMPARE TAX-FREE YIELDS. YOU'LL GIVE US FIVE STARS.

Fidelity High Yield Municipals offers investors a high tax-free* yield from a fully managed portfolio of municipal bonds, primarily rated A and Baa.

Compare our yield with those of other municipal bond funds. Then, compare features. We offer the benefits of full-time management, no sales charge, a low management fee (45/100 of 1%), daily liquidity, and the option of receiving earnings monthly or reinvesting them for tax-free compounding.

The result is a combination of yield and benefits unmatched by other funds. We think it rates five stars. Learn more today.

CALL FREE
(800) 225-6190
In Mass. call collect
(617) 726-0650

A portion may be subject to Federal, state or local taxes.

★★★★★★★★★★

FIDELITY HIGH YIELD MUNICIPALS

P.O. Box 832, Dept. JB 020579
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____
Address _____
City _____ State _____ Zip _____

FIDELITY GROUP
Over $3.5 billion of assets under management

INVESTMENT NEWSLETTER

$1

may be the best investment you will make in 1979. For this small sum, we'll send you our new report, BIGGER INVESTMENT PROFITS FROM MARKET TIMING, which gives many practical tips in predicting daily stock price trends. In addition, we'll also mail you the next four issues of our weekly, 10 page market letter, WALL STREET NAVIGATOR, which includes technical and economic comments on the stock market, plus stock selection. All this costs you only $1. (Only one request per household, annually.) Send for this timely offer by mailing this ad and only $1.00 to:

STOCK MARKET APPRAISAL, INC.
P.O. Box 355, Stapleton Station
Staten Island, New York 10304

MANUFACTURERS' REPRESENTATIVES

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE
Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available.
For information write:
Manufacturers' Agents' Newsletter
Dept. 178A, 23573 Prospect Avenue
Farmington, Michigan 48024

Bi-Weekly Bulletins of Lines Offered for representation in all fields. Plus Newsletter. Many other services for principals and representatives. Details: **United Association Manufacturers' Representatives,** Dept. 9, 808 Broadway, Kansas City, MO 64105. (816) 842-8130. Established since 1956.

EMPLOYMENT OPPORTUNITIES

HELP WANTED SALES
Money Broker. Excellent Opportunity. Sales management. Call Mr. Green.
Twentieth Century Finance
Toll Free 1-800-821-2658

MGM'T & SALES MEETINGS

CAPITAL & INVESTMENT OPPORTUNITIES

$17 ENTRY . . . $200,000 RETU
A $17.00 tax-deductible filing f
non-competitive public drawing
oil and gas leases by the Federal
ernment could return $200,000.
Free details.
AA OIL & GAS INC.
2051 East Camelback Road
Phoenix, Arizona 85016
(602) 955-7600

INVESTORS
Foreign & Domestic
We want to be your represen
your buying agent for large r
& farms in Central & Western
Large profits to be made in ca
land.
MONTANA-CALIFORNIA O
1801 Clement St., Alameda, CA
(415) 521-0546

INVESTMENT ADVISOR SERVICE

BELIEVE IT OR NO
Top quality U.S. Coins w
one of the best investme
that you could have made
year. Many items advan
over 10% per month.
build quality portfolios
specialize in courteous,
sonalized service. For mar
report and further det
please send $2.00 to
Lewiston Coin Cent
621 Main-Lewiston Mall
Lewiston, Idaho 83501

BOOKS & PERIODICAL

20 to 30%
"HOW I EARN 20-30
FROM LISTED BOND
Actual Proof. Photostats. Ch
Revealing Plan. Earn right a
Get this "New-Idea" Book $8
Hamilton, 2030 Beverly Plaza
Long Beach, Ca. 90815

TRADELOOK, a leading bir
ly magazine. Excellent artic
investments, commodities, a
ternational trade by experien
vestment advisors and busine
fessors. $15 per year. P.O
3077, Church St. Station.
10007. (212) 457-5420.

THE $500,000
RETIREMENT FUND . . . YO
Foundation to a fortune—nati
lecture for Physicians & Dentis
a book!—Keough & Corp. pla
really grow! Over 50? It is
late. Specific plan for all self-e
ed & small corp. Complete boo
$15 + $1 postage. (Cal. res. 9
Send to **Med-Dent Service,** 3
MacArthur, Santa Ana, CA 92

REACH THE AFFLUENT IN FORBES CLASSIFIED
One out of every 13 FORBES subscribers is a millionaire

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $18.65. Minimum size ad is one inch (14 agate lines) costing $261.10. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $18.30. Minimum size for display is two inches (28 agate lines) costing $512.40. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED: is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:
SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/ NEW YORK, NY 10011
(212) 675-7500

FAST FACTS ABOUT FORBES SUBSCRIBERS

★ Total paid circulation: 670,000

★ 306,000 are in top management positions

★ 184,000 serve on their companies' board of directors

★ 150,000 serve on boards of companies other than their own

★ 619,700 own stock. Average holdings: $232,000

★ Average household income: $52,600

★ Average net worth: $533,600

Forbes: Capitalist Tool

INESS OPPORTUNITIES

zip'z

CE CREAM AND ROZEN YOGURT STORES

me an independent business- on by joining our growing, n-wide family of ZIP'Z "Make Own Sundae" Franchisees. Z Ice Cream Stores feature Ice m, Frozen Yogurt, Diet Ice n Products, Ice Cream Cakes Parties. FRANCHISE, LOCA- N and TRAINING, $10,000 num cash investment. Act o qualify for Spring openings!

L TOLL FREE ANYTIME 1-800-821-7700, Ext. 323

ZIP'Z International, Inc. 70 Monroe Street, Dept. FB Toledo, Ohio 43613

YOU COULD BE A WINNER

only a $25.00 tax-deductible y fee, you could realize large ts from federal oil and gas e-rights. Monthly drawings conducted by the Bureau of l Management offering op- unity to all citizens. We urge to take advantage of our in- ry expertise.

For further information, call or write:

Western Region, Inc.
5 Greenville Ave., Suite 404
Dallas, Texas 75231
214/750-6580

QUE BUSINESS OFFERING

's newest and fastest growing ation in the Personal and Pro- al Development Industry is se- y seeking independent Distrib- o own and operate a Perform- Business. Our Systems offer measurable results. Complete g, in field assistance, and ex- support materials, No Fran- ee. Excellent income potential. r Write: **The Performance Inc.**, 2880 LBJ Freeway, Suite allas, Texas. (214) 241-0843.

ESSIONAL BUSINESS OPPTY come potential $40-$60,000

fe Publishing Corp is looking tewide Marketing Directors to individuals as co-publishers of fe Magazine. Excellent imme- & long term income. Total in- nt $7900 plus full time effort. oll Free: 1-800-327-0173 (Ext 74) a) 1-800-432-0151 (Ext 74) or esume to **GOODLIFE PUB- NG CORP.**, 708 Westwood Of- rk, Fredericksburg, VA 22401.

IL ORDER OPPORTUNITY

profitable home business in a's fastest growing industry. ally known authority teaches o previous experience; no prod- estment. Write for free book, stories of successful members, mplete details. No obligation. **Order Associates,** Dept. 648, ile, NJ 07645.

BUSINESS OPPORTUNITIES

Equal Footing with the Oil Companies

Each month the U.S. Department of Interior awards leases for the gas and oil rights to parcels of public land . . . to qualified U.S. citizens twenty-one or older.

Where are the richest parcels? How can you win valuable oil and gas rights?

Write or call:
Federal Petroleum Research, Inc., 1737 DeSales St. N.W., Suite 300, Washington, D.C. 20036 ● (202) 347-8461

FPR

Not affiliated with the U.S. Government

13,000,000 MEN WILL RENT A TUXEDO IN 1979

Our youth oriented business is growing . . . we're up 21% over last year. WHY? We have modernized the formalwear rental industry! Proms and formal weddings are more popular today than ever. This high ticket ($35-$45) . . . high percentage gross and net profit business can be yours without any previous knowledge. We train, finance & support you with in-store assistance and national advertising. 141 Franchisees are convinced! CAN WE CONVINCE YOU? Call collect: **(312) 236-2333 . . . GINGISS INTERNATIONAL, Dept. A25, 180 N. La Salle St. Chicago, IL 60601**

INDUSTRIAL MANUFACTURING LICENSE

24 licenses now exist internationally. We seek only qualified applicants who enjoy the allure of manufacturing. Virtually competition-free business secured by machinery, training and long term support. Investment of $115,000 with financing available. Company scrutiny is considerable and very much in depth. We are also seeking master licensees for foreign countries.

Call or write, Mr. Faircloth
North American Carbide Corp.
2950 So. Umatilla
Englewood, CO 80110
1-800-525-9496

WIN BIG OIL MONEY PLUS TAX BENEFITS

The U.S. Government each month sponsors a little known oil lease drawing. If you are 21 and a citizen you can compete with the oil companies for this federal land. A $25 (Tax Deductible) fee could bring you as much as $75,000 immediately plus future payments. Write Dept. FF or call toll free 1(800)528-6050 Ext. 321

F. MILLIGAN, INC. Drawer 3408, Boulder, CO 80307

BUSINESS CONNECTIONS

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST

Top Finders Fees Paid
Finders Inquiry Invited
Write Box A154 Forbes
60 Fifth Avenue
New York, NY 10011

REAL ESTATE

Realty USA® **HOUSE HUNTING?** . . . or selling

Find out how fast and easy it really can be! Write for our FREE booklet - "TAKING THE HASSLE OUT OF HOUSE HUNTING ... and how to sell your home for the right price fast." **No obligation!**

M_____
name
_____
address
_____
city state zip

INTERSTATE DEFENSE HIGHWAY SERVICE 1® **RELOCATING?**
CALL TOLL FREE FOR RELOCATION ASSISTANCE ANYWHERE!
800-325-3777
In Missouri Call 314/389-1111

Realty USA® P.O. Box 5780 F St. Louis, MO 63121

FREE CATALOG

Big, Free Spring 1979 Catalog describes and pictures more than 2,600 farms, ranches, acreages, recreational properties, businesses, town and country homes in 41 states coast to coast! Please specify type and location preferred.

UNITED FARM AGENCY
612-Y W. 47th
Kansas City, Mo. 64112

INTRACOASTAL WATERWAY

Prime development acreage totals over 40 acres with 2600 feet fronting on intracoastal canal. Also adjoins Congressman Jack Edwards Airport. Paved highway across entire parcel and easy access to interstate system. Twenty (20) year terms. Contact Wade Ward or Stan Fountain for full details.

CENTURY 21
MEYER REAL ESTATE
P.O. Box 238
Gulf Shores, Alabama 36542
(205) 968-7516

ACAPULCO CONDO FOR SALE

3 Bdrm 2 Bath Apt.
near the beach.
Management Services and Pool Available.
$90,000—Excellent Investment Retreat.
Contact: Mr. Stoltenberg
(714) 524-0181

MARTHA'S VINEYARD ISLAND MASSACHUSETTS

We list large & small homes suitable for corporate retreats, some with own beachfront. ● Always easy access to beaches, blue water sailing, hunting areas, shops & restaurants. Bluefish & bass abound. ● Year-round use. Management services available.

MINDORO REAL ESTATE CO.
Box 1013, Edgartown, MA. 02539
(617) 627-4782

ART & ANTIQUES

COLLECTORS SERIES™ PRINTS & LITHOGRAPHS

Superb selection includes WWI & II airplanes, autos, ships, railroad & American scenes, Indians, wildlife, & a variety of other subjects ready to frame. Send $1.00 for catalog.

Write **COLLECTORS SERIES**
Dept. FM, Box 7919,
Chicago, IL 60680

SHARING THE SALVATION ARMY IS CARING

EXECUTIVE GIFTS

An Alternative To The $21 Button Down Ours...$14.

100% COMBED COTTON OXFORD BUTTON DOWN

Finest traditional design and tailoring
Seven button front, placket sleeve, left breast pocket, double reinforced side seams and sleeves
Your satisfaction guaranteed
Blue or White Sizes 14½-17½/32-35

Huntington Clothiers
2206 BRYDEN RD • COLUMBUS OHIO 43209

Please send me 100% cotton shirt(s) @ $14.00 ea
Add $1.75 for ship & ins. regardless of quantity
Ohio Res. add 4% sales tax

Size ____ White ____ Qty Blue ____ Qty

☐ Pers. Ck. ☐ Mstr Chg ☐ Visa ☐ Am Exp

Card No _____

Exp Date _____ Mstr Chg Bank No _____

Signature _____

Name _____

Address _____

City _____

State _____ Zip _____

FD.

AUTOMOBILES

'79 Cadillacs Cost Less In Detroit

Dalgleish Cadillac has the lowest sticker prices in the U.S.A.

Buy your new 1979 Cadillac in Detroit from Dalgleish, the closest dealer to the Cadillac factory

Before you buy any Cadillac, anywhere, anytime, call or see:

DALGLEISH CADILLAC
6160 Cass Ave., Detroit 48202
near the G.M. & Fisher Bldgs.
"Michigan's Largest Cadillac Dealer"
Phone (313) 875-0300
Call Chas. Owens or Mike Opyr

SAVE $$$$ ON NEW 1979 CARS

Buy at Detroit prices—save on freight, too! Full factory warranty. Call toll free (800) 521-7257 for computer printout price, or mail make & model to:

BONDED BROKERS
2547-S Monroe Blvd.
Dearborn, Michigan 48124
(313) 565-5577. Specializing in Lincoln, Mercury, Ford & other "Big 3" makes.

SAVE HUNDREDS—EVEN THOUSANDS ON FOREIGN CARS!

BMW, Datsun, Jaguar, Toyota, even Rolls Royce and Mercedes. Factory Warranties included. Call or write: **Euro-American Collector Cars Inc.** for price quote info; 5019 McKinney, Suite 105, Dallas Texas, 75205 or 800/527-7330; 214/521-1615 in Texas.

Thoughts on the Business of Life

It is a grand mistake
to think of being great without
goodness; and I pronounce it as
certain that there was never yet
a truly great man that was not
at the same time truly virtuous.
BENJAMIN FRANKLIN

Greatness lies not in being strong,
but in the right use of strength.
HENRY WARD BEECHER

There are some jobs
in which it is impossible
for a man to be virtuous.
ARISTOTLE

I found that the men and women
who got to the top were those who
did the jobs they had in hand, with
everything they had of energy and
enthusiasm and hard work.
HARRY S TRUMAN

Success is the one unpardonable
sin against one's fellows.
AMBROSE BIERCE

A Text . . .

Execute true judgment, and shew mercy and compassions every man to his brother.
ZECHARIAH 7:9

Sent in by H. E. Stivers Jr., Orlando, Fla. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Do to others as you would have
others do to you, inspires all men
with that other maxim of natural
goodness a great deal less perfect,
but perhaps more useful: Do good
to yourself with as little
prejudice as you can to others.
JEAN-JACQUES ROUSSEAU

A nice man is a man of nasty ideas.
JONATHAN SWIFT

Contrary to the cliché,
genuinely nice guys most often
finish first or very near it.

There are no exceptions
to the rule that everybody likes
*to be an exception to the rule.**
MALCOLM FORBES

Your levelers wish to level down
as far as themselves, but they can-
not bear leveling up to themselves.
SAMUEL JOHNSON

Seem not greater than thou art.
SAMUEL BURTON

No one is safe from slander. The
best way is to pay no attention,
but live in innocence and let
the world talk.
MOLIÈRE

Nature makes merit, but
fortune sets it to work.
LA ROCHEFOUCAULD

This is the age of the common
man, they tell us—a title which
any man may claim to the extent
of such distinction as he has
managed not to achieve.
AYN RAND

No good deed goes unpunished.
JOHN P. GRIER

*The Sayings of Chairman Malcolm, *a collection of over 500 thoughts embodying the wit and wisdom of Malcolm Forbes. Now available at $5.95. Send check and order to Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.*

Today we are afraid of simple
words like *goodness* and *mercy*
and *kindness.* We don't believe
in the good old words because
we don't believe in the good
old values anymore.
LIN YUTANG

Politeness costs nothing and yet
it means a lot to those who are
below you and especially to thos
who are above you.
WILLIAM FEATHER

True success is the only thing
that you cannot have unless and
until you have offered it to other
SRI CHINMOY

You have not done enough, you
have never done enough, so long
as it is still possible that
you have something to contribut
DAG HAMMARSKJÖLD

None goes his way alone. All tha
we send into the lives of others
comes back into our own.
EDWIN MARKHAM

Whatever action is performed by
great man, common men follow
his footsteps, and whatever
standards he sets by exemplary
acts, all the world pursues.
BHAGAVAD-GITA

The true civilization is where
every man gives to every other
every right he claims for himself
ROBERT G. INGERSOLL

Great men are the real men;
in them nature has succeeded.
HENRI FREDERIC AMIEL

The true perfection of man
lies not in what man has,
but in what man is.
OSCAR WILDE

Success is the child of audacity.
BENJAMIN DISRAELI

LOOK HOW MUCH LUXURY WE CAN FIT IN A MID-SIZE LEMANS.

look is all you'll need to appreciate what a measure of luxury this sleek new Grand Ans delivers.

Luxury you can see in the well-cut contours make Grand LeMans togenic from any le. With a solid look of y by Fisher.

Luxury you can feel in se available, swank 0 cloth seats. And a e expansive choice of rior fabrics than last 's Grand LeMans.

Luxury you can hear in way this acoustically ineered mid-size sur-rounds you with a sense of quiet. Or with any one of six available stereo systems to surround you with song. And best of all, luxury you can share as Grand LeMans accommodates six.

Several items shown are optional at extra cost. But if you're looking for an affordable mid-size loaded with luxury and powered by a new, freer breathing V-6 engine,* buy or lease our Grand LeMans. You'll like the way it fits.

*LeMans is equipped with GM-built engines produced by various divisions. See your Pontiac dealer for details.

GM

THE 1979 PONTIACS OUR BEST GET BETTER

Between them—literally—Brazil and Paraguay are building the largest hydroelectric power plant in the world. Worldwide Citibank helps

On the Paraná River, at Itaipu, Brazil and Paraguay are jointly creating a generating station whose 12.6-million-kw. capacity will exceed by 30% that of the U.S.'s Grand Coulee Dam.

The river itself is being diverted into the mammoth, man-made channel, 2,000 meters long and 90 meters deep, that appears at left in the photograph. Purpose: to bypass the original riverbed while the massive Itaipu Dam, with its battery of 700,000-kw. turbines, is completed across it.

"Citibankers have recognized a special responsibility"

In financing this almost $9-billion project, Citibank, through Citicorp International Group, is to date one of the most important private-sector providers of funds.

Says Citibank Vice President Ivo Tonin: "Citibankers have recognized a special responsibility—not just to supply Citibank funds, but to stimulate and arrange participation by other financing sources, in other countries,

Right and left: General José Costa Cavalcanti and Sr. Enzo Debernardi of Itaipu Binacional. Center: Citibanker Ivo Tonin.

in this major international undertak

Citibank's worldwide commitmer

General José Costa Cavalcanti, of B Managing Director of Itaipu Binaci and Adjunct Managing Director En neer Enzo Debernardi, of Paraguay have expressed appreciation for the combination of Citibank financing c bility and the specialized skills Citi- bankers are contributing to the proj

That contribution can be measur not simply in terms of electrical pro duction, but of progress—the econo and industrial progress Citibankers everywhere work to foster, throu the worldwide offices and facilit of this leading international ba

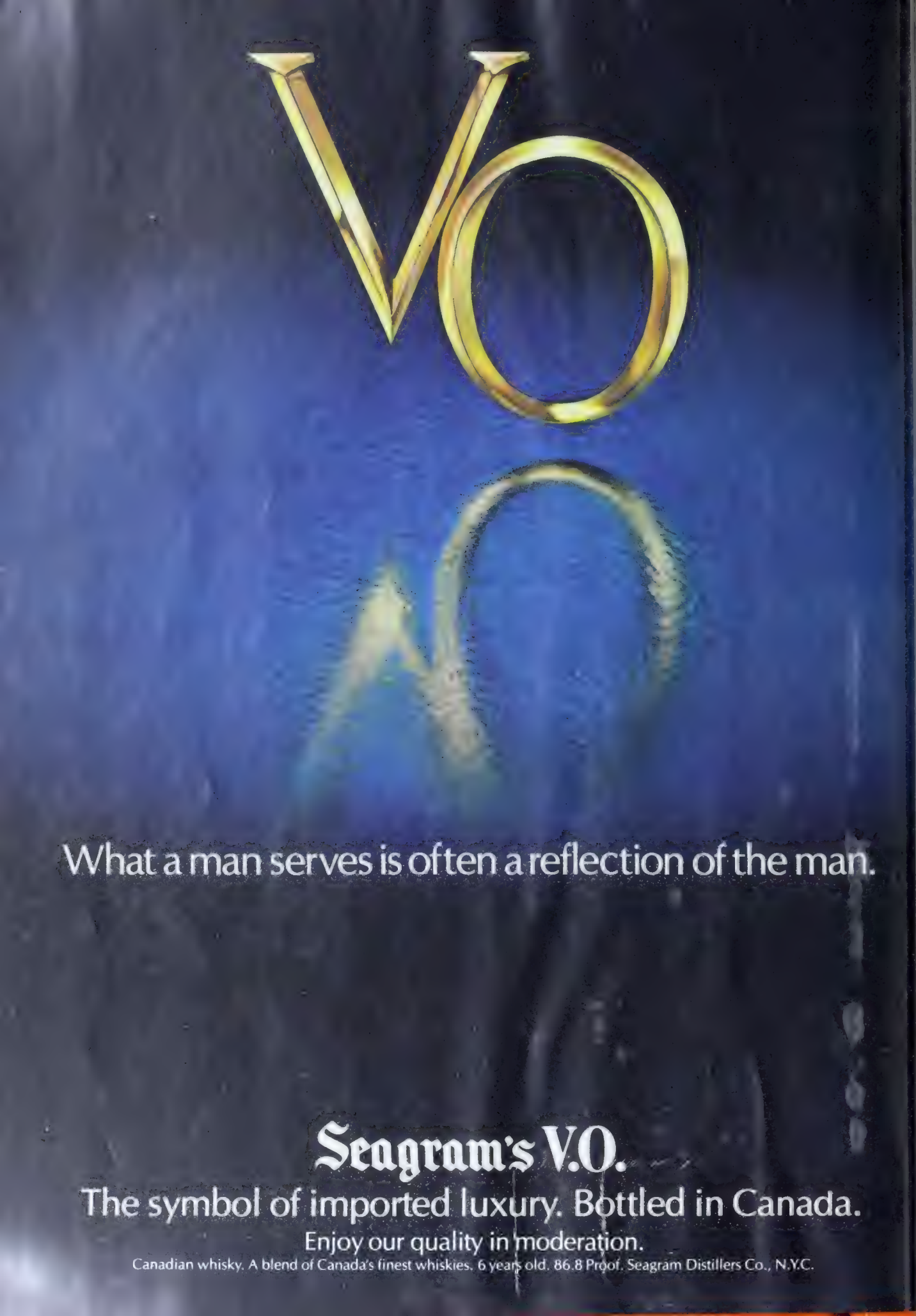
CITIBANK

A subsidiary of Citico

Forbes

DIVORCE
THE HIGH
COST OF
BREAKING UP

21573353 API NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010


VO
What a man serves is often a reflection of the man.
Seagram's V.O.
The symbol of imported luxury. Bottled in Canada.
Enjoy our quality in moderation.
Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

We're American Airlines. Doing what we do best.

American has something for everyone this Winter.

For pleasure fliers: a new improved SuperSaver.
For business fliers: a money-saving way to take someone along.
For everyone: the convenience of pre-reserved seats, one-stop check-in, round-trip boarding passes and all the other courteous, efficient services you've come to expect from American.

Our new SuperSaver

SAVE 55%

The biggest discounts and easiest restrictions we've ever offered.

During February and March, if you can reserve 14 days ahead,* you can save 35% to 55% off the daycoach fare to any city we fly to in the continental U.S. and Canada, depending on when you fly, and where you're going. You can stay through Saturday night, or up to 60 days. Some restrictions apply, and seats are limited.

* 7 days to and from Florida cities.

Our Companion Fare

SAVE 50%

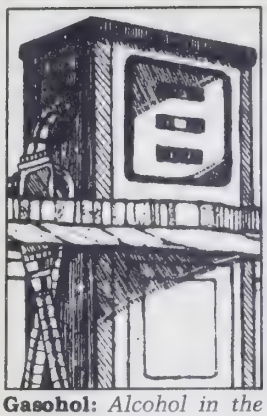
You pay regular daycoach fare and take someone else along for half fare.

And you don't have to reserve early. From Feb. 13 thru March 31, you can just buy your tickets and go—to any American Airlines city in the continental U.S. Stay as long as 7 days, or return home as early as the first Sunday after your departure. For all the details on all our discount fares, call your Travel Agent or us.

Special check-in services available at most airports.

Forbes

February 19, 1979
Volume 123, Number 4

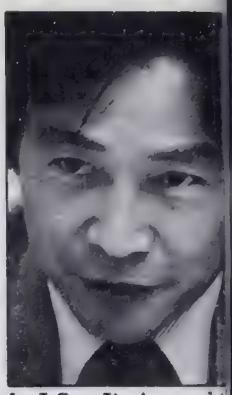


Gasohol: *Alcohol in the gas tank?* Many people think it's the only way to meet the impending oil crisis of the late 1980s. **36**

France: The French are moving toward a freer market after 30 years of leftist economic management. **39**

Cover Story: For better or worse, one of society's new freedoms is the freedom to shed mates almost at will. It has brought into being a new multibillion dollar industry—divorce. **44**

Cattle: U.S. cattlemen aren't going to get caught again with big herds and falling prices. **78**



As I See It: A true bi tural man, Yoshi Tsur is equally at home in U.S. and Japan. gloomy thoughts on U.S. dollar and trade d cits are worth hearing.

Features

Companies: *Management Retainers.* Zapata Corp. has lent over $1.3 million at no interest to its own officers, and Chairman William Flynn makes $325,000 a year although the company earns only about 2% on stockholders' equity. Obviously, a nice place to work—for some. **33**

Regulation: *Saving Us Even If It Kills Us.* As a new bumper sticker puts it: "Life Causes Cancer." The government is going to save us from anything that could possibly cause it—at enormous cost. **34**

Companies: *"We Snuck Up On 'Em."* Putting out that extra effort has made ContiCommodity Services the fastest-growing commodity broker in the industry. **35**

Canada: *English Spoken Here.* Some of the fastest-growing retail banks in the U.S. are based in Canada. **38**

Shipping: *The Scrutable Chinese Sea Lords.* The world shipping market is in deep depression. Look who's buying up the distressed merchandise. **52**

Theater: *A Revival, Indeterminate Run.* The theater is coming back, with Broadway a follower, not a leader. **57**

Companies: *The Best-Laid Plans. . . .* City Investing has some impressive assets. Also some problems. **64**

Utilities: *Voices In The Wilderness.* Four leading utility executives explain why the power situation is even worse than most of us think. **71**

Statistical Spotlight: *Will Lightning Strike Again?* It's getting tough to find ridiculously cheap stocks. **85**

Companies: *The Man Who Came To Dinner.* Wallace Rasmussen was supposed to be Beatrice Foods' interim chairman. He decided differently. **86**

Companies: *Bohemia's Boutique.* A little Oregon forest products company takes a less-traveled road to keep from getting trampled. **92**

Companies: *Shooting Elephants.* American Quasar Petroleum believes in exploring big to get big. So far so good. **99**

Companies: *Brascan's Problem.* It's all very well to take bundle out of Brazil. But what if it also makes you a takeo target? .....

Companies: *The Big Play.* Ex-pro footballer Bob Jensen plans his plays carefully at General Cable. He also knows h to execute. .....

Faces Behind The Figures

Kurt F. Viermetz (Morgan Guaranty Trust Co.)
Mortimer M. Caplin (Webb & Knapp) .....

Bernard Z. Lee (Seidman & Seidman)
Seisi Kato (Toyota Motor Sales Co.)
Guy P. Wyser-Pratte (Bache Halsey Stuart Shields) .....

Bill Sheriff (Truckstops of America) .....

Money And Investments

The Economy: *The Lowdown On Low Productivity.* Th drop in productivity gains is scary. So is one of the reasons for it: C social measures, especially our zeal to remake the American environment overnight. .....

Columnists

Ben Weberman **124**
Heinz H. Biel **126**
John Train **128**
Martin T. Sosnoff .....
Myron Simons .....
Thomas P. Murphy .....

Departments

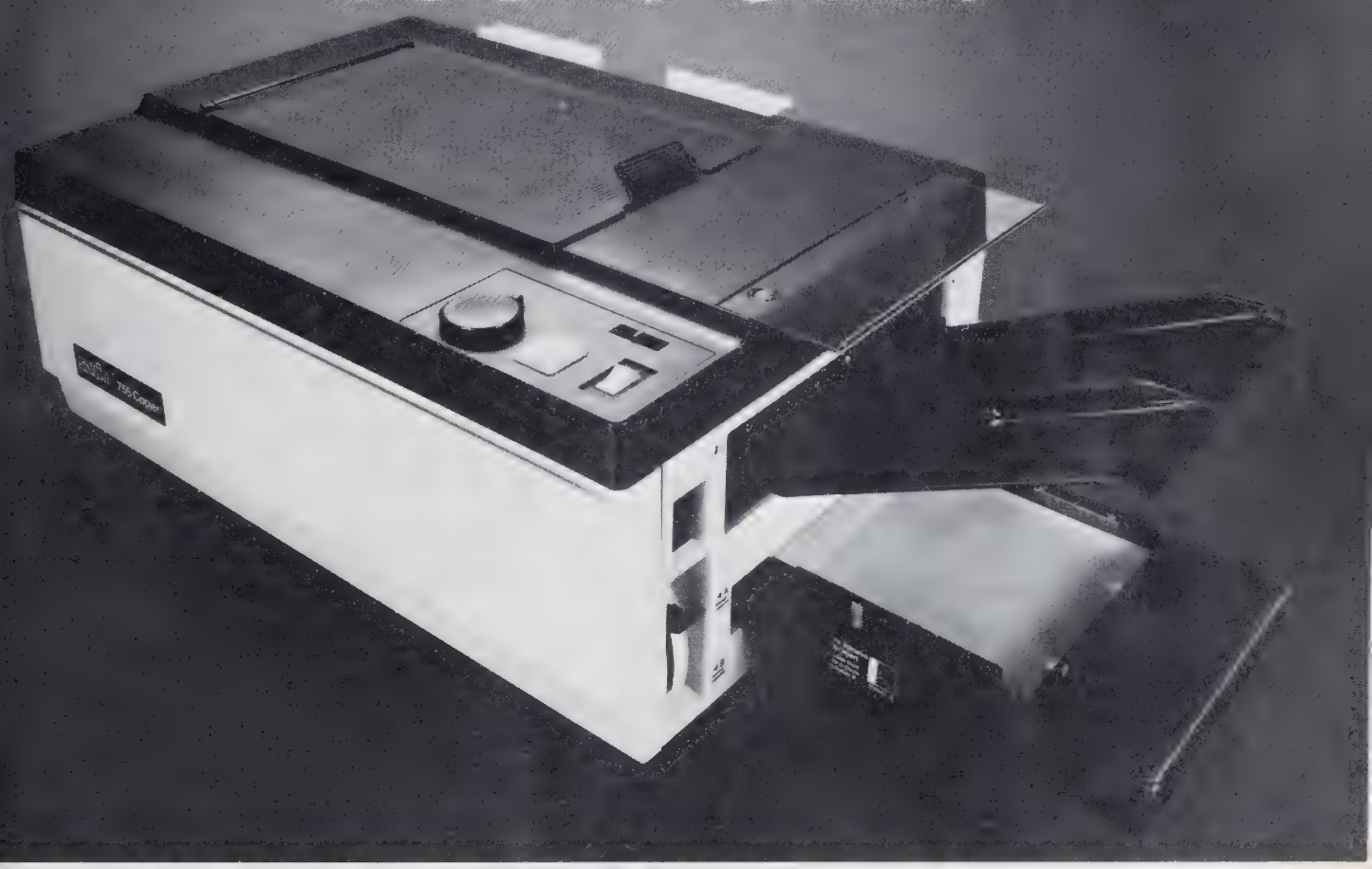
Side Lines **6**
Trends **8**
Follow-Through **12**
Readers Say **17**
Fact and Comment .....
Other Comments .....
Editorial Index .....
Thoughts .....

Credits: **Photos**—p. 6, Jennifer Strohl; p. 12, Culver; p. 35, Mitchell Canoff; p. 38 right, p. 40, Sygma; p. 58, John McDermott; p. 62, Robin Forbes; pp. 64, 104, Dick Lowry; p Richard Tolbert; p. 71, FPG; pp. 72, 73, 118 bottom, Bill Kelly; pp. 78, 79, 80, Steve Nort p. 92, Jim Hosner; p. 99, Randy Black; p. 106, George Cardozo; p. 114 top, Jim Pickere 114 bottom, Raimondo Borea; p. 120 top, Dana Thomas; p. 120 bottom, Instituti Investor; **Drawings**— p. 37, Chris Spollen; pp. 44, 45, 46, 47, 48, 49, Chas. B. Slacki **Charts**—p. 123, Andrew Christie/Matrix Design.

Cover Illustration: Seymour Chwast **Design Consultant:** Peter Pal

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, 10011. Second-class postage paid at New York, N.Y. and at additional mailing off Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth New York, N.Y. 10011. Copyright © 1979 Forbes Inc.

THE SAVIN 755.™
IT COSTS LESS NEW THAN THE XEROX 3100 COSTS OLD.



You can spend under $4300 for e new Savin 755.™

But if you're interested in a bit nostalgia, a remanufactured erox 3100 can be bought for a mere 455 more.

Actually, even when the Xerox 00 was new it would have been no atch for the Savin 755.

More of what Savin's famous r. For less. The 755 may be our west priced copier, but that doesn't ean we've lowered our standards.

You get our refreshing reliability. ur crisp, clean copies, thanks to liq- l toner technology.

First copy time is 7 seconds; ditional copies follow at 15 per min- e. And the 755 shuts off automati- lly when you've finished copying.

That may seem like a detail, but it's not on Monday morning when you find your copier's been on all weekend!

Another reason to connect with the 755 is that it plugs into a standard 110-volt outlet.

It's a machine made for the small office. Or the large office to put where needed.

Don't turn your office into a museum. The same technology that brings you these features also makes them possible at a low price.

The passé machines our competition is touting do less of a job, for more money. So the choice is clear: between a copier that's making history– and copiers that are already part of history.

To learn more, send in the coupon or call (914) 769-8805. Monday–Friday, 9:00 am–5:00 pm E.S.T.

SAVIN CORPORATION F9219
Valhalla, N.Y. 10595

Please provide additional information on:
☐ The Savin 755 Copier
☐ Other Savin copiers

Name/Title_____
Firm_____
Telephone_____
Address_____
City_____ State ____ Zip____

Savin®

We've seen the future. And it works.

SAVIN CORPORATION

avin and Savin logotype are registered trademarks of Savin Corporation.
erox is a registered trademark of Xerox Corporation. ©1979 Savin Corporation.

Guaranteed overnight package service.

It doesn't just mean you can get your money back. It means you won't have to.

Next Day Express Mail guarantees* overnight service by 10 a.m. Or your money back. All of it.

But we know you really want to get your package there on time. Not to get your money back.

This guarantee is our straightforward demonstration of confidence. After all, we handle millions of packages that have this guarantee. So you better believe we're going to be on time.

All you have to do is to get your package to an Express Mail Post Office before 5 p.m. Anything mailable, up to 70 pounds.

We'll get it to the destination Express Mail Post Office ready to be picked up as early as 10 a.m. the next business day.

City to city, Post Office to Post Office, by 10 a.m. Guaranteed.

What does it cost? A lot less than you'd think. For example, it's only $8.50 to get a 5-lb. package from N.Y. to L.A.

For about two dollars more, we'll deliver it right to their door by 3 p.m. If not earlier. Weekends and holidays, too.

We've got over 1,600 Express Mail Post Offices in over 1,000 cities. Look in the Yellow Pages under Air Cargo for the Express Mail Post Office nearest you.

Got something to ship in a hurry? Ship it Express Mail.

With our guarantee, we have to be tough on ourselves. And that makes it easier on you.

EXPRESS MAIL®
NEXT DAY SERVICE

*Our guarantee: 100% refund of Express Mail postage upon application at origin if mailed by 5 p.m. at an Express Mail Post Office and not available for claim at a destination Express Mail Post Office by 10 a.m. next business day or delivery not attempted to addressee by 3 p.m. of the next day (unless delayed by strike or work stoppage). ©1978

U.S. Postal Service

Here today, maybe tomorrow

Your best salesman may be striding right out of your life. Your customers see him more than you do, and since he *is* good, it's quite likely one of them has made him a flattering offer by now.

Does he really know that you appreciate him?

In a close decision, a Hamilton Awards Program might just make the vital difference. Hamilton fine watches and heirloom clocks, in a skillfully designed program, are helping many firms to establish a sensitive rapport with their most valued employees — not only in sales and management, but in production, accounting, and other areas as well. And at a level of cost effectiveness infinitely more attractive than recruiting and training new personnel.

You'll be interested in our full-color catalog, and in our highly informative brochure, "Hamilton Awards . . . An Investment in People."

Call our toll-free number for complete details . . . without obligation, of course.
Dial 1-800-233-0283 or
1-800-233-0284.

HAMILTON

Hamilton Watch Company, Lancaster, PA 17604

If the award's a Hamilton, they'll know you mean it.

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver
Washington Bureau: Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager; Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Theodore Smith, Assistant Directors; Nikki Frost, Philip Gefter, Photo Researchers
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Lataniotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager.; Arnold J. Prives, Fin. Adv. Mgr.; George C. Clissold, Donald W. MacDonald, G. Croft Henry, Charles S.Thorn Jr., John A. Wilson; Richard Calkins; H. Duncan McMillan, Dir., Spec. Proj.; Thomas G. Petersen Jr.
Dir. of International Adv.: James W. LaCirignola
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Manager
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Mgr.; William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Manager
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager
Classified: Sarah Madison, 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-675-7500

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Routine miracles

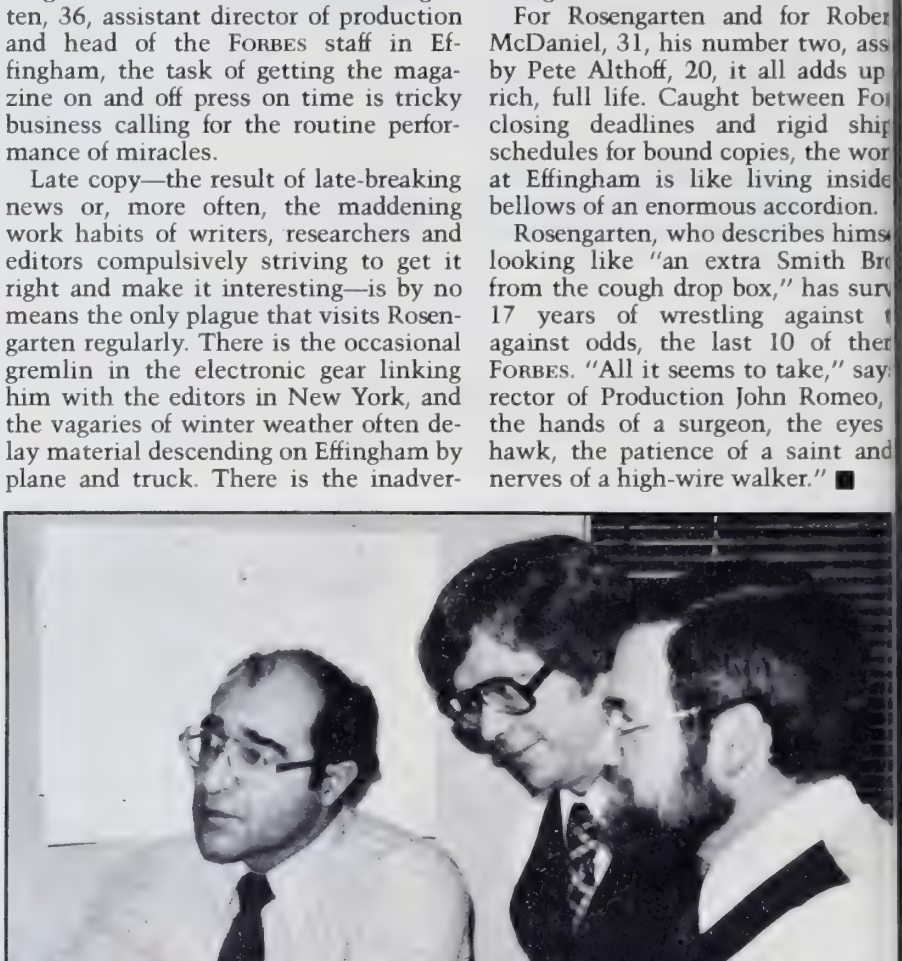
After FORBES' editors in New York had finally stopped fussing over the last deck, caption, kill and fill for this issue; after the copy editors had caught the last dangling participle and vaguely anchored relative pronoun; after the art department had adjusted the last hairline rule; and after our photocompositors had keyed all these changes into the computer and pulled, by electronic wizardry, the final proof of the last page of editorial matter—in short, after the magazine had "closed" in New York, a team of Forbesmen 900 miles away at World Color Press in Effingham, Ill. were only beginning to hit full stride. For Bob Rosengarten, 36, assistant director of production and head of the FORBES staff in Effingham, the task of getting the magazine on and off press on time is tricky business calling for the routine performance of miracles.

Late copy—the result of late-breaking news or, more often, the maddening work habits of writers, researchers and editors compulsively striving to get it right and make it interesting—is by no means the only plague that visits Rosengarten regularly. There is the occasional gremlin in the electronic gear linking him with the editors in New York, and the vagaries of winter weather often delay material descending on Effingham by plane and truck. There is the inadvertently "flopped halftone" (reversed tograph) and the mysteriously a line drawing, the missing page nu and the page dummied twice.

These, of course, are only a few things that can go wrong on the edi side. Keeping track of advertising c a separate care. By the time the n zine is on press, Rosengarten an staff have seen every page at leas times. And after the signatures (16 32-page press forms) start comin presses longer than basketball cou the rate of 18,000 per hour, the York staff is at it again, refreshed night's sleep, updating for impo news breaks and significant changes.

For Rosengarten and for Robe McDaniel, 31, his number two, ass by Pete Althoff, 20, it all adds up rich, full life. Caught between Fo closing deadlines and rigid shi schedules for bound copies, the wor at Effingham is like living inside bellows of an enormous accordion.

Rosengarten, who describes hims looking like "an extra Smith Br from the cough drop box," has sur 17 years of wrestling against against odds, the last 10 of the FORBES. "All it seems to take," say rector of Production John Romeo, the hands of a surgeon, the eyes hawk, the patience of a saint and nerves of a high-wire walker." ■



Director of Production Romeo (left), *McDaniel and Rosengarten*
Like living inside the bellows of an enormous accordion.

SEE EVERY BEAT OF YOUR HEART.

Checking your heart rate is ow as easy as grasping a glass of range juice, thanks to the remark- ble Insta-Pulse™ heart rate onitor from Biosig, Inc.

When held in your hands, it eads your heart rate function from he tiny electrical impulses in your nger tips. Insta-Pulse works on the ame principle as a hospital elec- ocardiograph (EKG). Yet it weighs mere 10 ounces, measures 11″ × ½″ and is fully portable. It runs for p to one full year (over 100,000 eadings) on a single 9-volt battery.

o waiting required.

Once Insta-Pulse is in your ands, its microcomputer chip egins to monitor every heart uscle contraction. And instan- aneously translates that into heart- eats per minute—showing it with bright, always changing LED isplay.

(Flash) 075 (beats per minute) . . .
(Flash) 078 (beats per minute) . . .
(Flash) 074 (beats per minute) . . . and so on.

As long as its nickel hand grips re between your fingers, ulse data continues; put sta-Pulse down, and it rns itself off auto- atically.

Watch both heartbeats and heart rate patterns.

You're free to monitor your heart rate anywhere with Insta-Pulse. During a workout or after one. At home, at the gym or on the track.

Instantly, you will see how the most critical organ of your body responds to exertion. And how long it takes to return to its normal at-rest rate.

This picture of your heart recovering from activity is something you can never get with conventional pulse readings.

In seconds you can also see the effects of psychological stress, overeating, alcohol, caffeine and cigarettes. You'll learn just how valuable to your heart a short nap can be. Or check the benefits of a morning's meditation. Here, too, is an excellent tool for use in biofeedback work; with practice, you can actually develop the ability to alter your heart rate—at will.

Not a toy. Not a toy's price.

The cost of Insta-Pulse through The Sharper Image is $149.00. It's not the only heart rate monitor available to you for about that price. However, others with their cumbersome clips and wires do not provide the accuracy of Insta-Pulse, the world's first instant heart rate monitor.

And it's shock resistant as well. Insta-Pulse contains no moving parts, is 100% solid state and its circuitry is shielded from damage by a thick, clear lucite shell. A hand lanyard provides additional security. The battery is included.

Insta-Pulse comes with a ninety-day warranty from its manufacturer, and the Sharper Image's own guarantee of satisfaction: if you are not completely delighted with it, send it back within two weeks for a full refund.

Order an Insta-Pulse now, and watch your heart function as you never could before.

ORDER TOLL-FREE

Credit card holders may use our toll-free ordering number, below. Or send check for $149.00 plus $2.50 delivery. Add $8.94 tax in California.

Ask for Operator 25 I
(800) 824-7888
In California:
(800) 852-7777
Alaska, Hawaii: (800) 824-7919

THE SHARPER IMAGE™
260 California Street
San Francisco, CA 94111
©The Sharper Image

Edited By John A. Conway

The toll-free bell

Those toll-free "800" telephone numbers, handling no-charge traffic to hotels, motels, airlines, stores, etc., are ringing bells for AT&T to the tune of $700 million annually. Since the service began in 1967, "800" customers have been increasing at a 20%-a-year clip and now number close to 40,000, accounting for 900 million calls a year. Charges are based on the geographic area covered. The most popular includes 48 states (all but Alaska and Hawaii) at a cost of $245 a month for 10 hours of calls, $1,675 a month for 240 hours. The "800" numbers are part of Bell's "Wide Area Telecommunications Service" (WATS), now worth about $2.2 billion a year to AT&T. The big "800" users are retailers, manufacturers such as the auto companies, transportation firms and data processors. Washington government agencies are buying numbers for taxpayer calls. For whistle-blowers with reports of fraud or waste, for example, the General Accounting Office, Congress' watchdog, has a toll-free hot line—800-424-5454.

The face is familiar

Ever since Eve persuaded Adam that apples would be good for him, the celebrity endorsement has been a surefire selling tool. Today, an estimated three of every five commercials on prime time TV use big names to deliver the pitch with, naturally, prices to match the star's rank. A onetime Hollywood agent, 31-year-old Ron Smith, has built a thriving business on the basis that since the familiarity of the face was the secret, why pay celebrity prices? For a fraction of the tab for the genuine article, Smith can muster a look-alike for anyone from Queen Elizabeth II to Laurel and Hardy. The idea for his company, Ron Smith's Celebrity Look-Alikes, came about when Smith used a Jimmy Carter-Gerald Ford look-alike contest as a promotion stunt for a 1976 Halloween stage show. Today he has 250 famous faces in his gallery, with backups for such in-demand stars as Burt Reynolds and Rosalynn Carter, and he boasts two Barbra Streisands, one for each coast. ("The one in the West sings, the other doesn't," he says.) Top price for a Smith carbon copy is for his Jimmy Carter, his two Streisands and his Farrah Fawcett-Majors. Besides commercials, Smith will provide a face for everything from a big-ticket movie (he supplied the Jimmy Carter for the thriller *Black Sunday*) to a store opening.

Tax holiday

Major tax legislation looks like a nonstarter for 1979. The trial balloons for a value-added tax—a sort of national sales tax—are not expected to get beyond the hot-air stage. Another push may come—and go—for the so-called "son-of-Sam" proposal, fostered by and named for Senator Sam Nunn (D–Ga.) and getting some Republican support. Nunn wants to tie federal tax cuts to reductions in spending and a balanced budget. He offered this last year as an alternative to the Kemp-Roth bill—named for Representative Jack F. Kemp (R–N.Y.) and Senator William V. Roth Jr. (R–Del.)—which called for a 33% slash in taxes over three years with no ties to lower spending. Neither son-of-Sam nor Kemp-Roth made it into the final 1978 tax legislation. The forces behind lowering taxes on capital gains, another hardy perennial, lost a powerful sponsor with the death of Representative William A. Steiger (R–Wis.), who championed the idea in the last Congress.

A director puts "Ford," "Kissinger" and "Fawcett-Majors" through their paces
It's not whom you see but whom you think you see that counts.

The SEC's new enforce

Expect Securities & Exchange Com sion Chairman Harold Williams to b lifting the 19-month freeze on expan listed stock options any week now additions had been made to the numb options listed for trading (219 buy an sell options) since mid-1977, pen completion of a special study of the tions market ordered by Williams. report is now on his desk. No new opt will be added, however, until Willian satisfied that the exchanges have ado the report's recommendations, a pro that could take six months.

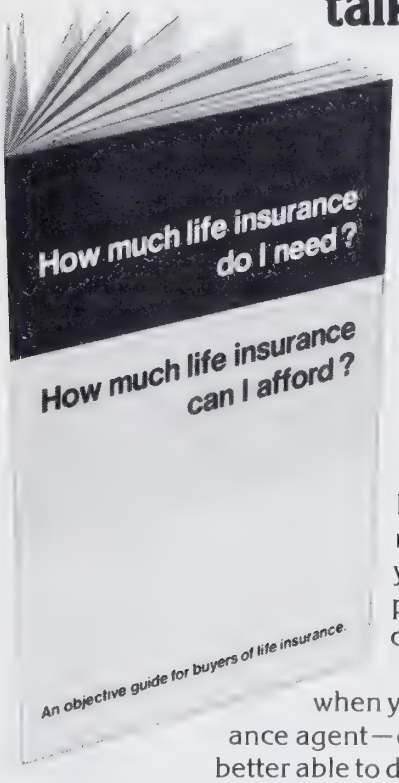
The new rules should cause brokers to smile. One recommenda for example, would require them to on each customer's statement mon gains and losses, commissions paid the account's value, market by ma (Commodities brokers got similar or some time ago.) The report and the of the moratorium, however, are onl starters. Williams has been accuse being soft on the industry and appare wants to dispel that impression. word is that he has marshaled a crack member troop of vigilantes headed Thomas Loughran, an ex-Marine scribed as a clone of Stanley Sporkin, SEC's feared and fearsome chief en er. Loughran, who worked on the tions report, is supposed to patrol only the options markets but all th curities exchanges and the National sociation of Securities Dealers.

A taxman's lament

Any red-blooded federal tax colle must cry a little when toting up the ures for the "tax expenditure" table the President's budget that Congress creed in 1974. The lawmakers defi "expenditures" as revenue losses att utable to provisions of the federal laws which allow "a special exclus exemption or deduction from gross come. . . ." If all itemized deducti were eliminated, the Treasury estima it would rake in an additional $41 bil in revenues, enough to eclipse Presi Carter's anticipated 1980 deficit of billion and match the Congressio Budget Committee's gloomier forecas $41 billion. Here are some of the b individuals are spared: Home owner ductions for mortgage interest during cal 1980 will cost Uncle Sam $9.3 bil in potential revenue; deductions property taxes, $6.6 billion; and for in est on consumer credit, almost $3 lion. Credits allowed on capital g "save" taxpayers $10.1 billion breaks on capital gains at death m

If you don't know how much life insurance you need and can afford...

read this booklet before you talk to any agent... even ours.



Most people would probably feel more comfortable if they knew approximately how much life insurance they really needed and about how much it would cost.

Because so few people know how to arrive at these figures, The Bankers Life of Des Moines has prepared an impartial booklet that will help you approach the problem in a logical fashion. Offered as a public service, the booklet doesn't quote prices or recommend policies—ours or anyone else's. But, since individual needs vary greatly, it does provide the guidelines that can help you determine the amount of protection your family requires and what proportion of your current income it will take to pay for it.

Read this booklet now so that when you're ready to talk to a life insurance agent—ours or anyone else's—you'll be better able to discuss your needs and, between the two of you, arrive at a wise decision.

The coupon brings you this booklet free by mail. Unless you ask, we promise no one will call now or later.

FB-29

The Bankers Life, Consumer Services
Des Moines, Iowa 50307

Please mail me the booklet that will help me decide how much life insurance I need and can afford. I understand no one will call, now or later.

Name _____

Address _____

City _____

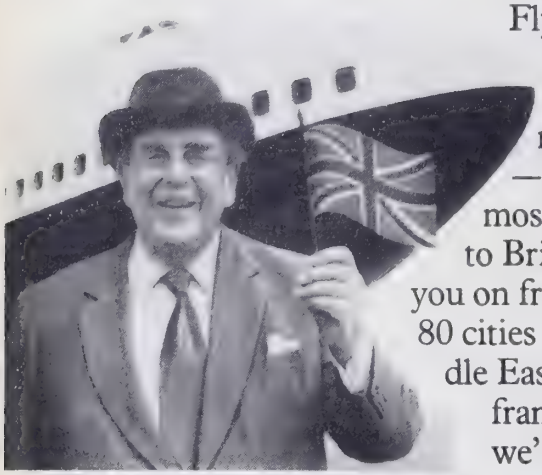
State _____ Zip _____

THE BANKERS LIFE

BANKERS LIFE COMPANY DES MOINES, IOWA 50307

Individual and group life, health and disability programs. Pension and profit sharing investment plans. A subsidiary, BLC Equity Services Corporation offers mutual funds and variable annuities through registered representatives

Plane English.

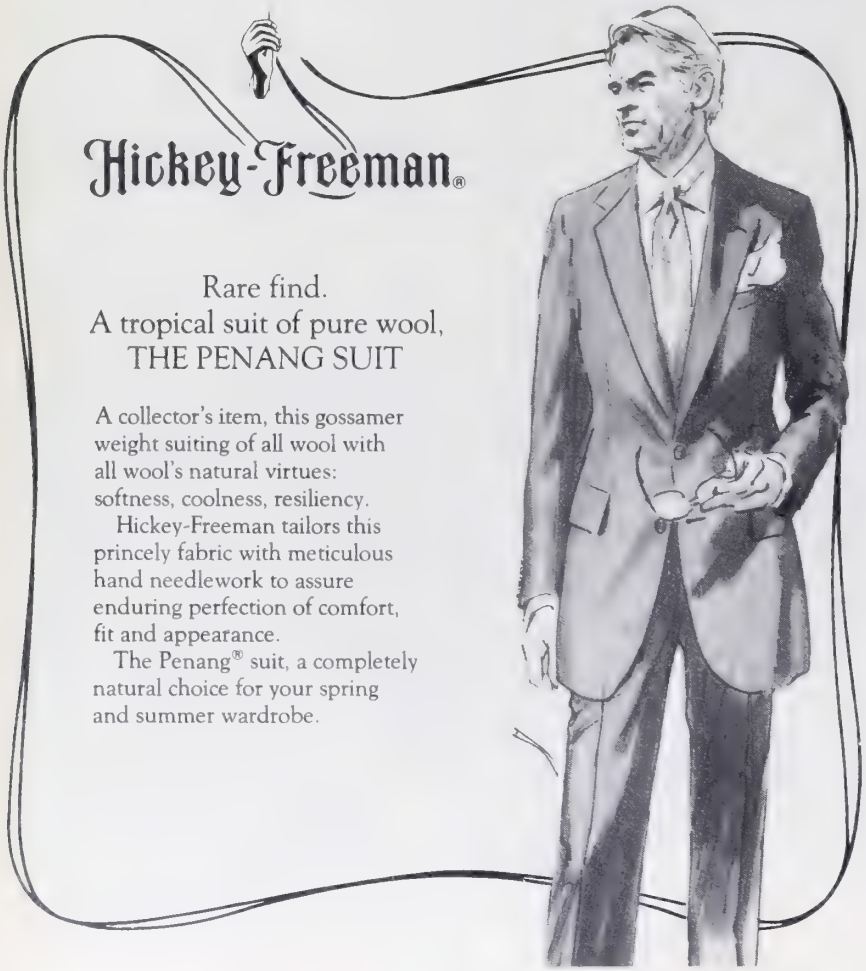


Fly to Britain on British Airways. It's simply plain sense—and there's never too much of that—because we have the most flights from the U.S. to Britain. Also, we can fly you on from London to more than 80 cities in Europe and the Middle East. And if you're just plain frantic to cross the Atlantic, we'll fly you from New York or Washington to London in 3½ hours in our fancy Concorde.

Avoid complications. Call your Travel Agent, Transportation Department or British Airways. Tell them Robert Morley says it's plain madness to consider aught but flying British Airways.

British airways

We'll take more care of you.



Hickey-Freeman®

Rare find.
A tropical suit of pure wool,
THE PENANG SUIT

A collector's item, this gossamer weight suiting of all wool with all wool's natural virtues: softness, coolness, resiliency.

Hickey-Freeman tailors this princely fabric with meticulous hand needlework to assure enduring perfection of comfort, fit and appearance.

The Penang® suit, a completely natural choice for your spring and summer wardrobe.

Trends

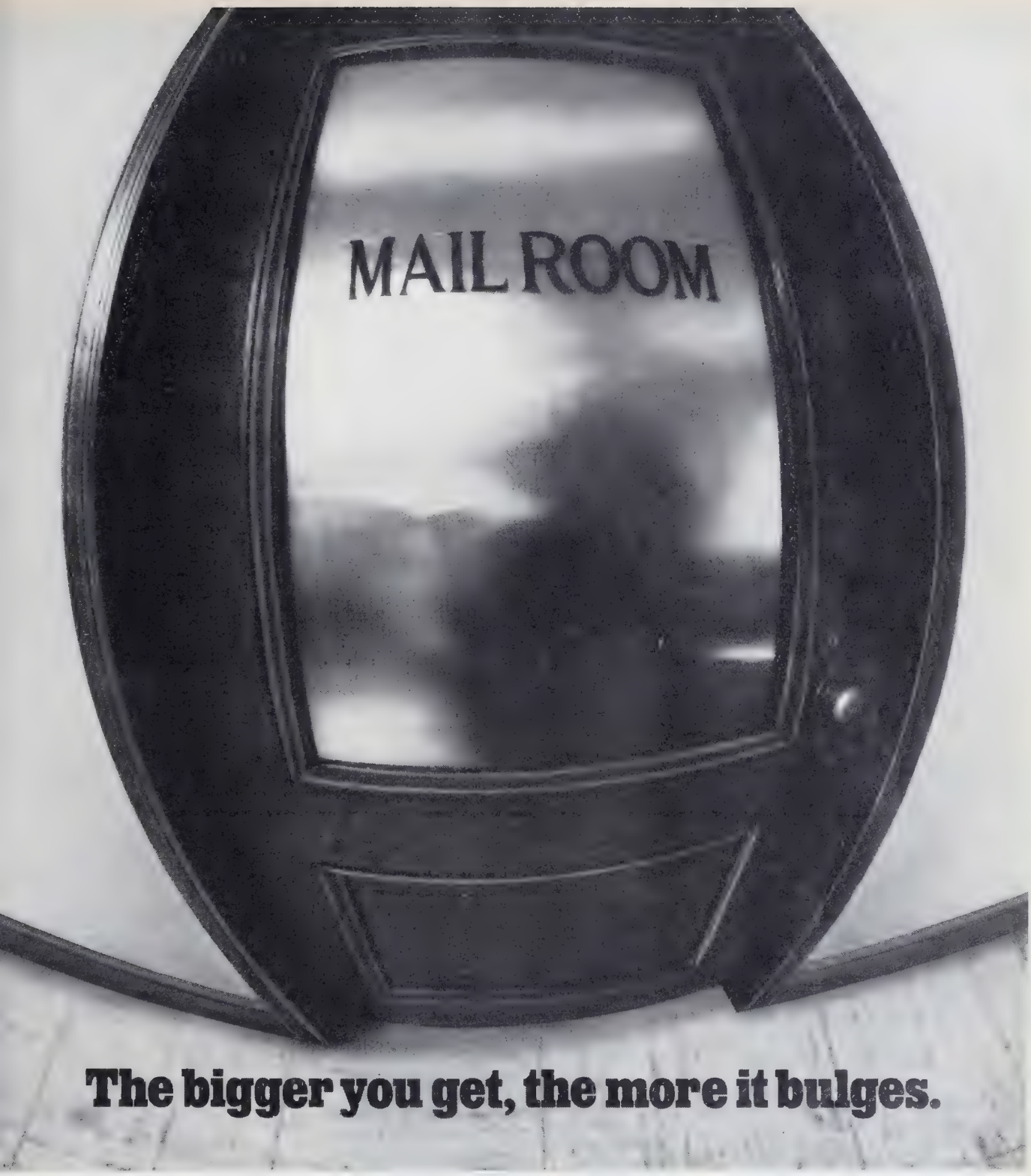
another $10 billion. Worker benef swell the total: Untaxed unemployme benefits will rule out $1.9 billion in 19 revenues; no taxes on pension contrib tions and earnings costs $12.9 billion employer plans and another $2.2 billi on those for self-employed and othe Investment credits will save corpo tions $15.4 billion in 1980 taxes, indiv uals more than $3 billion. The tables "Special Analysis G" of the budget t White House sent to Capitol Hill are none-too-subtle reminder that t moans of the taxpayers next April wou be deafening if the Congress decided close any more "loopholes."

Up in smoke

College women—but not their ma counterparts—appear almost immune the government's 15-year-old campai to curb cigarette smoking. The latest a nual national survey by UCLA and t American Council on Education sho that frequent smoking among freshm coeds has gone up "substantially" sin the first canvass in 1966. That ye 13.2% of first-year women consider themselves frequent smokers; the 19 figure is 17.1%. Male freshmen traced exactly opposite curve. Among mal the percentage of frequent smoke dropped from 19.4% in 1966 to 10.6 today. The survey, run by UCLA Profe sor Alexander W. Astin, covered 289,0 freshmen on 566 campuses. It helps e plain why cigarettes keep growing c spite 15 years of dire health warnings every pack, relegation of smokers backseat ghettos on airplanes, and oth restrictions. True, adult per capita co sumption dropped from 209 packs a ye to 200 and only a third of adults no smoke compared with 41% ten yea ago. Still, Americans puffed away 605.5 billion cigarettes last year, co pared with 510 billion or so in 1967.

Roses from the right

Many liberal allies may be lambasting h new budget, but Jimmy Carter is drawi bouquets from the other side of the p litical fence. The 1980 Carter budge according to Rudy Penner, tax expert f the conservative American Enterpri Institute, is "an eminently reasonab document." It tends to protect the poo he thinks, while asking middle-incon taxpayers to give up some benefits. Th American Enterprise man also agre with the President that there should l no tax cut in 1980, but he wants one 1981 to offset bigger tax bites as wa earners are forced into higher bracke by cost-of-living raises. ■



The bigger you get, the more it bulges.

It can come to this.

A company that's grown in every department but one. The mailroom. And that oversight can lead to log-jams, which can cost you money.

The truth is, the more efficient your mailroom, the quicker your bills go out and your cash receipts come in. A modern, mechanized mailroom can expedite your orders, invoices, all your correspondence and improve your cash flow.

At Pitney Bowes, we know how to help you get your mail moving faster and more efficiently than it's moving now. We have machines that copy, count, collate, fold, insert, meter-stamp, address and a whole lot more. All many times faster than you could do by hand.

So if your mailroom is becoming sluggish, Pitney Bowes can get it in shape in no time.

Pitney Bowes

For full information, write us: Pitney Bowes, 1748 Pacific Street, Stamford, Connecticut 06904, or call toll free anytime **800-243-5000**. (In Connecticut **1-800-882-5577**.)
Over 600 sales or service points throughout the U S and Canada Postage Meters, Mailing Systems, Copiers, Labeling and Price Marking Systems

Justus.
A solid investment in cedar.

Send $2 for a color portfolio showing scores of Justus Homes using select 4 x 8 Western Red Cedar wall timbers, a prized material in increasingly short supply. We custom design to fit your site and family needs. Write, or call toll-free 1-800-824-7888 (In California, 1-800-852-7777).

Justus homes
P.O. Box 98300
Tacoma, WA 98499

Name
Address
City State Zip
I own a lot. Location:
F-279

Where is America Going?

More than 24 million of them vacationed in Arkansas last year. And now, the opportunities for profitable investment in Arkansas' tourism industry are at an all-time high. Let's work together to find a place for you to grow in the sunbelt.

SEND NOW FOR MORE INFORMATION
Tourism Investment Consultant
Dept. 38
State Capitol
Little Rock, Arkansas 72201

You'll Remember Arkansas
It's a Natural

Name
Address
City
State Zip

Follow-Through

The zinc-lined dream

Dreams die hard in Ireland. Last year FORBES *(Apr. 3, 1978)* reported on the "phantom smelter" that the Irish hoped to build to exploit the huge zinc ore body discovered in the early 1970s not far from the Hill of Tara, where Saint Patrick delivered the word on Christianity to the pagan king who ruled from its 510-foot eminence. In 1978 a Gulf & Western subsidiary, New Jersey Zinc, was in the picture, though steadily sinking zinc prices were rapidly cooling its ardor. To thicken the stew, the Russians, of all people, were hinting that they might like to build a smelter for Ireland, too. FORBES' conclusion then was that the dreamed-of smelter "doesn't exist, probably won't for many years."

The zinc was real enough. Discovered by Canadian-backed Irish businessmen, the lode, near Navan in County Meath northwest of Dublin, was the biggest in Western Europe and the fifth largest in the world. The smelter was important because refined zinc metal would be worth at least twice as much as the raw ore. As 1978 wore on, however, the dream began to fade. The Russians' talk came to nothing, and the Irish suspect that the whole Moscow approach was nothing more than a feeler for possible sales of technology and not actual ownership in the project. New Jersey Zinc, presumably discouraged by the continuing erosion of zinc prices, halted the feasibility studies it had worked on with the Irish and shelved the smelter.

Saint Patrick on Tara's Hill
If one dream won't work, try another.

According to the Irish, the Americ promised to reexamine the proj sometime in the 1980s, but New Jer Zinc says now it has no plans fo future return to Ireland.

The Irish, meanwhile, have for ahead on their own. Dublin's devel ment promoters have found a new s for the smelter, across the island at Bal longford on the southern side of Shannon River estuary. If all goes w they hope to get the nod from local pl. ning authorities for permission to buil $200 million plant to turn 190,000 t of Navan's ore concentrate into 100,0 tons of zinc annually. In terms of job the overriding goal of the Irish Devel ment Authority—the Shannon refin project is expected to keep 650 Irish c struction workers busy for two and a h years building it. Once on stream, it counted on to create about 500 jobs operating personnel.

Still in the dream stage is the forei partner that the IDA seeks to assum majority interest in the new plant. D lin is prepared to pick up 20%, and t two companies now mining the Nav ore deposit have expressed interest picking up the rest. These are T Mines, associated with Canada's N anda Mines, and an Irish firm, Bula L Meanwhile, the first shipments of from the mine began to move to Weste Europe last year.

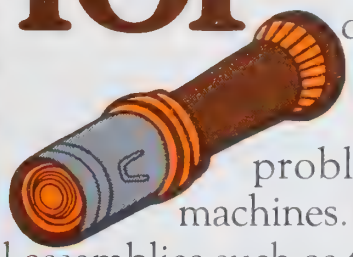
The focus has shifted far from Tar hill, but the Irish will still stand in ne of Saint Patrick's help. Perhaps they getting it—zinc prices have at last slow begun to rise again.

East is East

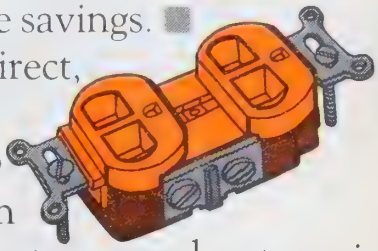
"I am not worried by *anything* I see Japan," Jonathan Mason, chairman the Japan Fund, told FORBES over a y ago *(Dec. 1, 1977)*. "As I look around t world, I see no place I would rather inv in than Japan." At that point, the close end fund had $155 million in assets, all it Japanese securities, and it had run u stunning record. An initial $10,000 sta in the fund in 1962, the year it w launched, was worth more th $100,000 at the end of 1977. Despi those rising-sun figures, however, the pan Fund was selling on the New Yo Stock Exchange at a stiff 27% discou Since then, the discount has gone as hi as 31%, as low as 15%, and stands cu rently at about 21%.

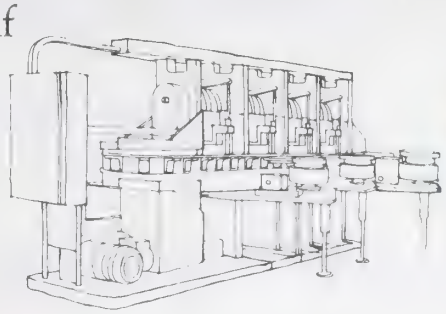
Mason bridles at those discounts. "C all logical bases," he says, "the Jap Fund over the last 12 to 18 mont should be selling at a premium." He is f from unhappy about his other numbe The fund's assets increased to $222 m

The machine that pays for itself



When you're in the business of assembling parts, you're in the business of holding costs down while keeping quality up. Which is a tricky business these days. Manufacturers have found the answer to the problem. Bodine in-line assembly machines. ■ Bodine modular machines have produced millions of small assemblies such as those shown here, products made in high volume to rigid specifications and yet at considerable savings. ■ With today's skyrocketing labor costs, both direct and indirect, managers hardly have to be persuaded of the wage-saving advantages of automated assembly systems. But they also must look hard at the possibility of long delays in changing over to new equipment, and they must worry about sacrificing quality control in their products. ■ Conversion even from a completely manual operation can be made swiftly and with a minimum of de-bugging time. ■ As for quality control, the simplicity of the Bodine drive system eliminates much of the need for monitoring and adjustment. Most of the motions of the system are timed and driven by the main drive shaft, and these include self-inspection features that keep constant tabs on output. ■ All of this adds up to higher production rates, fewer returns, and the elimination of costly major retooling for product changes. Which means savings added to savings. A Bodine assembly machine pays for itself. And then it starts to pay for itself all over again. ■ Write or phone Frank J. Riley, Vice President, The Bodine Corporation, 317 Mountain Grove Street, Bridgeport, Conn. 06605, (203) 334-3107.





Bodine
ASSEMBLY SYSTEMS

Now you can own art as original as you are.

Christie's Print Collection offers you the unique opportunity to own original art. Limited edition lithographs and etchings. Created, signed and numbered by the artist.

To receive our free catalog—containing a wide selection of prints in the $80 to $150 range—fill out the accompanying coupon, attach 31¢ postage, and mail it to London.

If you decide to buy a print, it will be mailed to you with Christie's Certificate of Authentication. Our name is your assurance of value. We are a subsidiary of Christies International, who also own the world famous Christie's auction house founded in 1766.

Christie's Print Collection
8 Dover Street, London, W.1, England

Please send me your free color catalog. I understand there is no obligation.

Name _____ (Please Print)
Address _____
City _____ State _____ Zip _____ F01/02/79B

A New Approach to Real Estate Land Banking

Our newly-created large-scale property programs offer many advantages. . .investment, tax shelter, inflation protection, leverage and more.

Over $165,000,000 in M.A.I. appraised property available now in three growth communities in two growth states — Arizona and Colorado. These programs are tailored to the objectives of the developer, subdivision builder and/or sophisticated investor.

Terms: 5% down; interest and taxes only for 5 years. Minimum package price $75,000.

For information mail coupon or phone

800-528-0292 Toll Free
In Arizona 837-9660

Johanna Kobli, Vice President
Pratt Properties, Inc.
16838 E. Palisades Boulevard
Fountain Hills, Arizona 85268

Please send more information on your special Property Programs

Name _____
Address _____
City _____ State _____
Zip _____ Phone _____

Pratt Properties Inc.

060-030579

Follow-Through

lion last year. Net asset value per sh $11.91 on Nov. 1, 1977, climbed to $1 by the end of 1978. Market price, 8¾ Nov. 1, 1977, stood at 11¾ a year l and hit 13 in January 1979.

Measured against another yardstic Japan's own securities market—Ma & Co. also look stronger than they d the discounters on New York's Board. During 1978 net asset value share went up by an impressive 58. after adjustment for the distributio capital gains. During that same per the Tokyo Stock Exchange index gai 23.5% while the yen rose 23.1% agai the dollar. And in the last decade asset value per share rose 632% wh the Tokyo exchange index was climb 242% and the yen went up 85%.

Those results help explain both M son's resentment—and his resignatio toward the fact that the Japan Fund c tinues to sell at a substantial disco below net asset value. "We here d regard it as a problem," he says, "beca most of our shareholders bought stock at a discount in the first place. mysterious Wall Street syndrome, in view, explains the discounts. "There simply something in U.S. securi firms' research departments," he thin "that doesn't respond to Japanese opp tunities. The amount of investm they've directed there over the last cade is minuscule. My contention is t they have failed their customers by paying more attention to Japan."

The anomalies are not confined to New York end of the line. A few ye ago the conventional wisdom was t Americans didn't invest in the Japan market because they thought it was risky, and that Japanese investors sta away from Wall Street because they c sidered U.S. securities too expensi Now the points of view seem to h reversed, at least partially. Mason gra that most Americans probably th that Japanese stock prices are too h (when they think of them at all). T Japanese, Mason says, are coming i the American market but they have g reason to be wary. "When Japanese vestors first got permission from th government to buy U.S. securities," points out, "the market promptly w down. When they made their next the dollar went into its skid."

Mason's own feelings about Japan main as bullish as ever. "We don't any fundamental changes in the lo term favorable conditions about the Ja nese economy which made us inv originally in Japan. There's no reason shift elsewhere; we examine it every months and keep coming up with same answers." ■

Now—the no-rent, no up-keep branch office from the Bell System.

You can do business in a distant city for only $16* a month.

hanks to the new miracle of Remote ll Forwarding—RCF—you can open "branch office" in a distant city where ere is potential business for your firm. ithout investing in office space, equip- ent or additional help.

our cost? Only $16* a month.

ow RCF works.

he Bell System will assign your firm local telephone number in the city here you want to develop new roots. nd to establish your identity in this y, your company will be listed in both e white and yellow-page directories. *no additional cost.*

our customer in the remote city sim- dials your local number, and the ll is automatically forwarded *directly you... with no waiting and without erator assistance.*

l you pay for your new "branch ice" is the low monthly service charge $16* plus the low direct dial rate for ch incoming call. Since your RCF mber is connected to your regular siness phone, *no telephone is needed the distant city.*

CF—fast, convenient, inexpensive.

CF establishes your identity in another city. Your customers and field representatives can call you locally and directly.

Though you're physically located in a distant city, to your customers you're only a local phone call away.

Now you can grow with your market.

RCF offers you the opportunity to explore new markets—practically without investment.

To begin, you may only want to start out with RCF service in a single market. Later, you may want to open additional markets. No problem. You simply add RCF as you need it.

As you'll find out from a Bell Account Executive, there are countless applications for RCF.

Find out from the Bell System how we can help your business grow.

Your business has special needs. This is why you should talk to a Bell Account Executive. We can tailor service to *your* specific needs.

*$16 is the typical monthly rate for your first RCF number, with slight rate variances in some locations. In addition, a nominal service connection charge usually applies. Each call forwarded is charged at low direct dial rates and is applied to your RCF bill. Your Bell Account Executive will advise you on the availability of RCF in the market area you choose.

There's no obligation of course. Call our toll-free number right now—while you're thinking about RCF.

800-821-2121

Anywhere in the contiguous United States
(In Missouri call 800-892-2121)

Or, if you prefer, just complete and mail the coupon below.

Bell System Sales Center 103-005
811 Main Street
P.O. Box 1418
Kansas City, Missouri 64141

YES! I'm interested. Tell me more about Remote Call Forwarding and how it will benefit my firm. I understand there is no obligation on my part.

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Area Code_____ Business Phone No_____

Bell System

Announcing Trans World Corporation. A new corporation holding three familiar companies.

Trans World Corporation is now the parent company of Trans World Airlines, Canteen Corporation and Hilton International Company.

This new corporate identity reflects the company's growing involvement in fields outside as well as within air transportation.

You may be surprised to know that over 50% of the total corporate profit is from non-airline sources.

Each of its three subsidiaries is large enough to be among the Fortune 500 on its own.

In fact, if the combination of the three companies were compared to the Fortune 500 list of industrial corporations, it would have ranked 71st.

Trans World Corporation has over $3½ billion in sales and a net worth of over half a billion dollars.

Total preliminary corporate profits in 1978 were $86 million and that's an improvement of more than 50% over 1977's restated results.

The new stock exchange symbol replacing TWA will be **TW.** It's a little shorter, but a lot broader.

TRANS WORLD CORPORATION

Readers Say

Unreal world

R: In your article "Is inflation real?" *m. 8),* you say, "No important group s been seriously hurt at all (by infla-)n)." If you think my fixed dollar pen-)n will buy what it did five years ago, if)u think my savings/investment after-x income matches the current rate of flation, and if you think that the last)e in Social Security of 6.5% is equal to e current rate of inflation of 9%, you're)t living in the real world.
Robert M. Elliott
rwich, Conn.

R: The article made a lot of sense in its gument that most people's real income keeping up with inflation, except the mplete tax structure was ignored. That anges the whole picture. While most us are meeting or beating inflation if u compare gross income, the progres-'e federal tax system, with its rachet-g of each of us into higher brackets, luces the net income significantly.
Chuck Shroyer
rtford City, Ind.

Republic of Texico

R: I have a suggestion concerning exican oil *(Jan. 22).* Since Washington emingly likes the idea of building ices to separate those of different ewpoints, let's build that fence, but stead of the Rio Grande let's put it on e Red River.
Let's then have a plebiscite of the Tex-s and Mexicans, and then—calling the w nation Texico—we can sell oil to e Yankees.
Robert H. Nash
iple, Tex.

Capable nepots

: In regard to MSF's editorial about potism *(Fact and Comment, Jan. 8),* it's t his fault that his sons just happen to capable people—it speaks quite highly their mother.
ichard King Brown
g of Prussia, Pa.

A better illustration

: In the piece "Bill Salomon" *(Fact and nment, Dec. 25),* three men and two men are mentioned. The illustration s that of a successful Wall Streeter. no needs that? All those fellows look out the same. Why not a picture of the "wondrous bride" of David Mahoney? Now all we male readers are left dangling and like me, the others probably don't remember what else the piece was about.
—J.O. Fletcher
Amherst, N.Y.

Herewith, Hillie Merrill Mahoney—MSF.

The last word—cancel

SIR: Re Fact and Comment's eulogy on normalizing relations with China *(Jan. 22),* Malcolm Forbes has the right to print his opinion, but when he says I'm "all wet" it's my privilege to have the last word. Cancel my subscription.
—S.R. Mattock
Loveland, Colo.

SIR: I agree with the recognition of the government on mainland China but we, the U.S., should not do this by letting down our friends.
—Lt. Gen. J.M. Heiser
(USA Ret.)
Columbia, S.C.

SIR: Red China has nothing we need and we have everything they need, yet every concession was made by us—none by them. Put your hot air to better use and inflate one of your balloons.
—Ernest W. Lemnitzer
Honesdale, Pa.

What a fate!

SIR: The following passage from Walker Percy's *The Moviegoer,* a novel which won the National Book Award in 1962, is pretty droll, when viewed from contemporary perspective:

"It is not at all bad being a businessman. There is a spirit of trust and cooperation. . . . Everyone jokes about such things, but if businessmen were not

Choose your
AIRCRAFT BROKER
as carefully as you would select your . . .

- **Attorney**
- **Accounting Firm**
- **Investment Counselor**
- **Pilots**

. . . or any other professional. Proven integrity and a selection from the entire world-wide market is assured you through . . .

ROBEY smith COMPANY
1401 Brickell Ave./Miami, FL 33131
PH (305) 374-1515 Telex 51-2503
International Telex RCA 264270

CHANGE OF ADDRESS
If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION
To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).
Canadian orders, add $4 a year.
Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager, FORBES, 60 Fifth Avenue, New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)
New Address:
City
State Zip
F-4826

D C.THOMAS
INSURANCE

Introducing the Xerox 2600 copier.

If you copy a little, you'll like it a lot.

Now, just because your copying needs are small doesn't mean you have to be shortchanged when it comes to copiers.

The new Xerox 2600 copier is compact enough to fit on a table top. But although it's small, it doesn't act it.

It makes clear, crisp Xerox-quality copies on regular paper, colored stock, transparencies and even letterheads in seconds.

It can even copy from bulky bound volumes.

But best of all, it's the least expensive new Xerox copier you can get.

So now copying a little doesn't have to cost you a lot.

XEROX

XEROX® and 2600 are trademarks of XEROX CORPORATION

Tough on Energy Costs

It's not uncommon for an American building owner to save several thousand dollars annually in fuel savings. Our buildings are designed that way.

When compared to other kinds of construction, the American wall and roof system is up to five times more energy efficient. That means lower utility bills. Less wear and tear on heating and cooling equipment.

With our systems approach to construction, the local American builder can provide time and money savings for you. And our Standing Seam Roof System* is unique in both design and application. It can save you problems and money in the years ahead.

For good-looks, construction economy and energy-savings contact the American builder. He's in the Yellow Pages under "Buildings - Metal". Or American Buildings Company, Box 800-A, Eufaula, Ala. 36027, (205) 687-2032.

*Patent Pending

Plants Coast to Coast

AMERICAN BUILDINGS

Readers Say

trusting of each other and could not s
their great projects going on credit, t
country would collapse tomorrow and
no better off than Saudi Arabia."
—Carl Remick
Associate Editor,
Management Review
New York, N.Y.

Ours are no better

SIR: I was amused by the story *("I have authority," Jan. 22)* of David Rockefell Donald Kendall, David Packard, *et al.* b ing cowed by a Soviet maître d'. I fi maître d's in Moscow easier to reas with than maître d's in New York. Mr. Rockefeller *et al.* can get their r venge when their Soviet counterpar visit the States.
—Liz Parnell
Huntsville, Ala.

Still number two

SIR: In "Retail Distribution" *(Jan. 8)*, y state, "J.C. Penney . . . recaptured t number two retailing spot it lost K mart two years earlier." At the end nine months of 1978, Penney's sal were $7.3 billion, K mart's $7.8 billion
—Ann C. Wolff
Director of Publicity,
K mart Corp.
Troy, Mich.

Unconservative definitio

SIR: Interviewed by Arelo Sederberg *(Fa and Comment, Jan. 22)*, MSF said, "T conservative, to me, is somebody w wants to keep things as they were."

This reminds me of the First Natio Bank's Gaylord Freeman's definition: conservative might be considered som one opposed to change."

"That," said one critic, "isn't a cons vative. That's a damned fool."
—James C. Thomson
Elmhurst, Ill.

Inflationary gas

SIR: Pricing gas at $1 to $1.50 per gall *(Fact and Comment, Jan. 22)* would hav dramatic impact on the millions of pla Joes and Janes that drive to work. Th will do the same thing that you do wh costs rise. They will increase the price their goods and services and you w write editorials bemoaning inflation.
—Lester Stoller
Gahanna, Ohio

The complete computers.

Burroughs not only offers a choice of small computers, but also the application solutions, training and support essential for maximum performance.

Our family of small computers includes the B 80 (shown below), the B 800 and the B 1800. They are advanced computers that are easy to use. You don't have to be a computer expert to take advantage of their power.

We also offer application solutions for all major lines of business, each designed to handle your specific accounting and management information needs. So if you run a wholesale company or a bank, we can supply the complete software to fit your operation.

Training is another Burroughs plus. Our customer training centers throughout the world provide professional, comprehensive instruction in the operation and management of computers and applications.

Then there's Burroughs customer service. Some 30,000 Burroughs people in our sales and customer support organization provide you with expert installation and maintenance support.

And Burroughs small computers make growth easier. Application programs can be transferred from one size system to the next. From the smallest B 80 up to the largest B 1800. Without reprogramming. Without recompilation.

When you buy a Burroughs business system — you get more than just a computer. You get the bonus of dealing with a total capability company with over 90 years' experience. And the security of knowing the whole Burroughs organization is behind you.

We call it "Total System Support." Hardware, system software, application programs, customer training, system maintenance — even the business forms and supplies you need.

For additional information, call your local Burroughs office or write Burroughs Corporation, Department FRB-3, Burroughs Place, Detroit, Michigan 48232.

Burroughs

Al

Case/Poclain join to mee

Poclain S.A. of France, the worl number one producer of hydrau excavators, is now joined with Case, number one producer digging machinery in North Ameri

Case/Tenneco has purchased 40% interest in Poclain and a quired Poclain marketing subs iaries in England, Spain, Belgi and Germany, plus manufacturi operations in Brazil.

In North America, Case, alo

Poclain

LIES

world construction needs.

h its Drott and Davis Divisions, s been a major power in the nstruction industry, with an ex- nsive line of quality digging uipment.

ow we can offer a much broader nge of machine solutions to ex- vation problems — from a small ncher for digging a drainage ch to an excavator for moving a ountain of coal.

oes this mean that Case has expanded its world role and will be serving North America, Europe and other world markets as it has never been served before? The answer is "yes."

Doing something about expanding product lines, distribution and service networks to meet customers' needs is one reason why Case is one of the world leaders in machinery for construction and farming. For a comprehensive brochure about J I Case, its total operations and product lines, write: Communications and Public Affairs, J I Case Company, Dept. FAL2, 700 State Street, Racine, Wisconsin 53404.

J I Case
A Tenneco Company

TENNECO

doing something about it.

case

Discover more.

Let your mature taste lead you from the finest premium Scotch on up to the most expensive 12-year-old Scotch in the world. The Glenlivet. The ultimate in Scotch.

Most premium Scotch is blended and depends on several whiskies for taste and smoothness.

Yet the unblended character of The Glenlivet is noble enough to stand alone. In this distinctive Scotch whisky you'll experience an exceptional smoothness and full-bodied richness, unmatched in all other premium Scotch.

Try the taste beyond premium Scotch.

The Glenlivet
Unchanged since 1824.

THE TASTE BEYOND PREMIUM SCOTCH

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

RETURN TO THE SPOILS SYSTEM

hortly after President James Garfield was shot dead by a ppointed job seeker in 1881, the event triggered demand a reform of the spoils system, under which the winning tical party rewarded its workers in the precincts with ernment jobs largely held by losing incumbents.

o, new laws and a new bureaucracy were born. Civil Service. o, as always with legalized do-gooding, the remedy even- ly proves a worse evil than the affliction. Now, about the y way we'll cure that paralyzing Cure, Civil Service, will be a return to the spoils system. Then those holding government positions up and down the line will know for a fact that their job security depends on actually pleasing the public they're supposed to be serving. If they don't, their party will blow the election and they'll be blown back to working like taxpayers. They'll be held accountable, just like elected officials.

Is that such a bad idea?

And my tongue's not all that far in cheek.

NEGOTIATING INCREASED U.S. FARM EXPORTS

r easier urged than accomplished, as Robert Strauss and umerable predecessors at the effort can testify. We seem to e made some progress in getting promises about squeezing e orange juice and putting more meat on the plates of the nese, but in Europe and the Common Market it's a far e difficult sale.

every land, as much as in ours, there's a deep feeling that a ntry's farms and farmers must be preserved no matter what cost of food to the consumer. In France as well as in Britain; in a Germany that we starved out in WWI; in a Denmark proud of its dairy products and in The Netherlands rich in food produced. In every Land, those who till their land have a significance beyond their number and a clout beyond the reach of simple economics. To expect any country—no matter what the basis in logic, no matter what the economic pluses—to let its farming go is to ask for something that will never happen.

If Strauss or anyone else expects to change this, he's a Texan whistling Dixie.

CARTER'S BUDGET & STATE OF UNION ADDRESS

being hammered at from the Left and the Right. Which of confirms our feeling that both Budget and Message are ty much alright. By no means *all* right, and perhaps based rojections that will turn out to be too sanguine.

on't you get a kick out of those commentators and critics plaining that neither Budget nor Address "had any surpris- . . . as if they were Crackerjack boxes with no prizes? t a wonderful surprise to have no headlining gimmicks, no contrivances, no Tablet-like prose!

eally amusing are some of the pouting Republican reactors plaining that Carter has stolen their lines, is singing their . Thank goodness! we'd say.

ranted, Carter can't Publicspeak with the rhetorical flour- s of a stumping Kennedy spouting tired clichés about ng the Poor from ravaging by the savage Rich. While er can't orate, in both Budget and State of the Union sage he says much that's sound, much that reads sensibly. Senator Proxmire (D–Wis.), who's—sometimes—right on, made some pertinent suggestions as to where the budget could be further cut, which would be one way to allow increases in areas where pressure groups are likely to pound through more spending than the Administration recommends.

On the other hand, Teddy Kennedy's distortions about the budget-bloating Arms Barons, cruelly snatching alms from the palsied hands of withering widows, is pure political bull.

On balance, the President's Budget is as big a step toward balance as any president of either party could feasibly take to the eventual goal of a balanced budget. While there'll be some things upped and some things cut, the total—we should hope—won't eventually be much different.

Carter's Budget is more in touch with the prevailing sentiments of most people in this country than are his countless critics. And a majority of Congress, a majority of the time, will concur.

PUBLIC TV—MISNOMER OF THE TV AGE

Public TV provides the elitist stuff available on the tube. It probably appeals to the most educated, intellectual audiences in the country—all 2% of them.

The television that the public wants to see is exactly what they get on Nielsenized networks and the other privately owned TV stations. All stations but "public" ones get the most bucks by attracting the most viewers, and the most viewers constitute what's called the public.

Most of us, I'm sure, think it's great that there is a channel for the highly educated, a channel that often puts on programs appealing to tiny minorities who love to see the cultural best, the exotic ethnic show and the highbrow. It's nice to have it available to the public, although the audience is overwhelmingly elite, made up of the rich in money or the culturally rich (occasion some of them are one and the same). Many of these viewers c contribute to public TV station support, while the fed government generously provides most of the rest of the fu The Carnegie Commission, in a current report, recomm that $1 billion be made available to public television.

But "public" TV it ain't.

★ ★ ★

And speaking of ratings that determine what the pu watches—did you know that during the morning hours, w only 8% of the television sets are normally in use, a mere Nielsen-wired sets determine who and what gets time on air for the whole nation?!

ANTI KEMP-ROTH IS TURNING OUT

to be politically unKempt.

PUTTING THINGS IN PERSPECTIVE

In his book *Inside India Today*, Dilip Hiro quotes a laborer: "My wish in life is just to get enough to eat, nothing more."

The President's mother, Lillian Carter, sitting down to a hefty campaign breakfast, announced to the assembled spent two years in India, and I want to see every p cleaned."

WHOEVER THOUGHT WE'D BE SHORT OF THE STUFF

There are a number of shorter words for it, but manure is the one that nice people use (usually).

Now it turns out that chemicalless farms, relying on the by-product of horses and cows, can grow as much and as well as those using more expensive chemical fertilizers.

There's only one problem—there isn't enough of the natural er . . . uh . . . stuff to meet the need.

Further evidence of the mounting manure mania was provided in New York by the Ringling Brothers and Barnum & Bailey Circus when it offered ten-pound plastic bags of "Pachyderm Poop" to any in the audience who might w it for their gardens. Said a circus spokesman, "You wo think it was a precious commodity the way people gath round for it. No matter how fast we shoveled, we wer fast enough."

Actually, that's the reason that old-fashioned manure is threat to the chemical fertilizer makers—there just i enough to go around. Gee, what an opening for unemploye and moonlighting—journalists. After all, most people th shoveling it is our business.

IT'S ALL IN ONE'S VIEWPOINT

Each year FORBES sponsors an invitational International Ballooning Meet to further the support and growth of the International Ballooning Museum at its Chateau de Balleroy in Normandy, France. Someone recently sent me some pictures taken just after our completion of a flight during last June's gathering, and I couldn't help chuckling over the contrasting expressions in the two pictures shown here.

The four-legged critter looks as though he's about to vent his ire at what he'd probably describe as "bull-ooning." Thank goodness our balloon was gold and blue and not red, or we might have taken another quick trip—on the end of a horn.

In keeping with the aeronaut tradition, the presentation of a bottle of champagne to the wife, kids and friends of the farmer on whose land we dropped was greeted with a bit more enthusiasm.

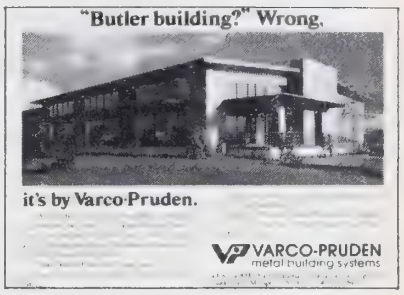
As they say, reactions always depend on whose ox is gored.

PROOF POSITIVE

that featuring the competition in advertising—in this instance, in the headline yet!—is usually the antithesis of wise.

At the left there's a sample of the long-running Butler campaign that's made its mark on those in the marketplace for buildings.

And, judging from the ad on the right, the Butler campaign has made its mark on the competition. I'd be willing to bet that Butler gets more benefit from being the headlined message by the competition than from its own advertisements.



THREE OBSERVATIONS

nce the publication of *The Sayings of Chairman Malcolm* mber of people have sent in their own sayings and those thers. Among them, this selection from Dick Wilson, ier chairman of Avco, taken from his *Dartmouth Class thly News:*

- The chance of bread falling buttered side down is directly proportional to the cost of the carpet.
- When in doubt, mumble.
- A man with one watch knows what time it is. A man with two watches is never sure.

FOR THE ULTIMATE

in stilted conversations, listen to former husbands and wives.

ANYONE CAN HAVE KIDS

but it takes someone—preferably two—to raise 'em properly.

IF YOU HAVE ANY MONEY LEFT

By M.S. Forbes Jr.

now is the time to put it into the stock market, according to several reiable indicators.

Book value. For the fourth time since World War II, stocks are selling below their net worth. In each previous instance, a powerful bull market followed. In late 1974, the last time stocks could be bought below book value, the market subsequently zoomed more than 75%, as measured by the Dow Jones industrial average.

The January barometer. The *Stock Trader's Almanac* shows that, in 25 of the past 28 years, what the stock market did in January ended up being the trend of the market for the year. If Standard & Poor's composite index was up in January, it was up for the year. And vice versa. The index finished January positively.

Third-year indicator. Granger & Co.'s investment strategist Bill LeFevre has found that, since 1939, the third year of a presidential term has been good for stocks. In the third year of Ike's second term, for example, the Dow had a 15% gain. The third year of Nixon's second term (which he never completed) saw the Dow going up 38%. President Carter, of course, is now in the third year of his first term.

Finally, we have the *Super Bowl predictor*. When an original National Football League team won the Super Bowl, the Standard & Poor's 500 was up for the year. When an old American Football League team triumphed, the market was a downer. The only exception in 12 years was 1970 when an AFL team was victorious. Instead of declining, the market finished the year up a mighty one-tenth of 1%. This year's Super Bowl was a no-lose situation: Both Pittsburgh and Dallas are original NFL teams.

Convinced of better times for the stock market? A caveat: No indicator or group of indicators is infallible. Also keep in mind when reading advice what this "expert's" grandfather liked to say: "We make more money selling advice than following it."

BIG YIELD FROM BIG APPLE

One investment that is virtually risk free (as well as tax free) is those New York City notes that were recently sold to the public.

The notes have a life of only five months and are backed by state-aid payments that will be placed under the supervision of the State Comptroller, not the city. Moreover, the federal government's four-year bailout program makes it extremely unlikely that the Big Apple will go financially sour in the next few months.

Nonetheless, New York paid a stiff rate of interest, 8% tax free, to attract buyers. Because of the sale's success, city officials may decide to hasten Gotham's return to the bond market, now scheduled to begin next year.

But don't be fooled. Short-term paper is one thing, bonds quite another.

New York is a long way from financial solvency. The projected budget gap for the next fiscal year is over $400 million and will increase to more than $1 billion by fiscal 1982. Moreover, those numbers assume that city workers will win no raises in 1980's labor negotiations. If they gain, say, a 4% increase, New York will be in the hole over another $150 million.

The real test will come when the federal government's loan guarantees end in June 1982. The law requires New York to have a truly balanced budget by then, and achieving that goal will be a monumental task, especially as federal programs that aid cities are being cut back.

Under these circumstances, only speculators would buy New York paper that matured beyond 1982.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

British Politicians Lost

Lady Diana Cooper finds British politicians less inspiring than their counterparts in France or the U.S. Too many "new blood" politicians lack the sense of tradition and principle of men like Sir Winston, Harold MacMillan (another old friend) and her husband, Duff. "Politicians here nowadays tend to react, often to the wrong things, without measuring their actions [says she]. They have little sense of history and they can be rash. They're really lost and they're dragging us right along with them."

—Patrick McCarthy, *W*

Clap Ye Not

People applaud the weirdest things. A young man stood up and asked, "How old are you?" and I responded, "I'm 51." I nearly got a standing ovation.

Since when did 51 become a vintage year, for crying out loud? Where were they when I reached 40 and needed them!

—Erma Bombeck,
The Atlanta Constitution

Cycle-Noise Overkill

The [proposed New York] law [would have permitted] local jurisdictions to ban motorcycles from the streets between the hours of 9 p.m. and 8 a.m. in order to deliver householders from the detested music of open exhaust pipes.

This struck us as blatant legislative overkill. . . .

Today, punitive action against malefactors is a no-no; instead, social ends are achieved by restrictive ordinances on entire classes of innocent citizens.

Deploying the entire state legislature to control all motorcyclists to deal with a handful of hoodlums is by no means unusual. It appears that those people who want us to stop being punitive and to use impossibly complicated due process are the same people who advocate increased state power over all of us.

—*Wall Street Journal* editorial

Cancer vs. Aging

Only about 5-10% of cancers appear to be job-related, not the much-cited larger percentages approaching 80-90%. The public should not be misled into believing that if the environment is purified, cancer will vanish. The eradication of cancer would add only one to two years to human life expectancy as compared with about ten years for all forms of arteriosclerosis. The potential gain in life expectancy if the rate of aging could be slowed has not even received serious consideration. For every $2 we spend on cancer research, only about 3 cents funds research on aging.

—Dr. Herman T. Blumenthal,
Harper's

Sense of Values

"I will be conquered, I will not capitulate," cried Samuel Johnson on his deathbed at the age of 75. When a doctor was incising his leg in a vain effort to drain the fluids caused by congestive heart failure, Johnson cried out, "Deeper, deeper; I want length of life, and you are afraid of giving me pain, which I do not value."

—*New York Times Book Review*

Who Rules?

By 1971 Nixon had realized he was virtually powerless to deal with the bureaucracy in every department of the government. It was no contest. Nixon could rave and rant.

—H.R. Haldeman, *The Ends of Power*

Rooms Tell Much

Albert Hadley [of the New York City design firm] refers to his house in the country as a "scrapbook." I have often described my own New York flat in this way; it, too, is a scrapbook of possessions. The appetites and interests of people are what charge and give life to t rooms. These rooms, like scrapbo tell a story and they can be as fascina as any raconteur.

—Van Day Tr
Architectural Di

"I demand to be mugged by a woman!"

© Punch

All Clear?

They called this system Micr Wireless. The term proved to be prop ic, for within a few years all the ultrah superhigh and extremely high freq cies—those frequencies lying just be the infrared region of the electromagn spectrum and ranging in wavelength f about a hundred centimetres, or inches, down to a millimetre, or abo twenty-fifth of an inch—came t known as microwaves.

—*The New Yo*

It's always a mistake to w for universal approbation.
—President Jimmy Ca

Open Case

In the interests of justice, sched court cases are often stood down by m istrates for a short while for various sons. The other morning Suva law Mr. Vijay Parmanandam asked that c in which he appeared be stood down half an hour in Suva Court. His fly zip had failed in its duty and he had t home and change his trousers.

—*Pacific Islands Mont*

Gatsby's Pittance

Sometimes in *Scott and Ernest: Fitzgerald-Hemingway Friendship*, Scott Fitzgerald seems to feel that tragedy of his life overshadows the o tragedies that he was to write. And fact his life is a better tragedy than that he wrote, with the possible exc tion of *The Great Gatsby*. It is shock to realize that, between 1920 and 19 Fitzgerald earned only $37,000 from *This Side of Paradise*, *The Beautiful and Damned* and *The Great Gatsby*, the la having brought in only $6,790.

—book reviewer Anatole Broy

A Higher Law

. . . Once, when the prosecutor qu tioned her legal maneuvers, [Carry tion] snapped, "Shut your mouth, perjurer. We're trying this case by div law, not by Kansas law."

—Nancy Eills and Parker Hayd
Here Lies Amer

PRESENTING JAGUAR FOR 1979.

THE LATEST AND THE BEST IN A LONG AND ARISTOCRATIC LINE.

e 1979 Jaguars are the finest expression to e of our uncommon and uncompromis- approach to building great luxury cars. The luxury is deep and so well thought-out t the Jaguars come to you complete: there no factory options whatever. Real leath- seats, thermostatically-controlled heating d cooling, stereo AM/FM radio and tape tem: it's all there, adding to the notable ue inherent in all Jaguar cars.

But, as ever, the finest expression of any uar motorcar is the way it moves.

The 1979 Jaguars have the incredible re- nse of electronic fuel injection teamed h either the double overhead-cam Six in the XJ6 sedan, or the aluminum V-12 in the XJ12 sedan and the S-type. And Jaguars have the surefootedness of four-wheel independent suspension and power disc brakes on all four wheels. They have power-assisted rack and pinion steering and an overall feel for the road that is rare, indeed, in luxury cars.

Another uncommon feature of the 1979 Jaguar is its warranty: for 12 months, regardless of mileage, your Jaguar dealer will replace or repair any part of the car that is defective or that simply wears out, provided only that the car is properly maintained. The only exceptions are the tires, which are warranted by the tire manufacturer, and the spark plugs and filters, which are routine replacement items. Even then, if the plugs or filters are defective, Jaguar will replace them.

There has never been a better time for you to own a Jaguar, for the simple reason that there has never been a better Jaguar than our 1979 edition.

For the name of the Jaguar dealer nearest you, call these numbers toll-free: (800) 447-4700, or, in Illinois, (800) 322-4400.

British Leyland Motors Inc., Leonia, NJ 07605

JAGUAR

Between them—literally—Brazil and Paraguay are building the largest hydroelectric power plant in the world. Worldwide Citibank helps.

On the Paraná River, between Brazil and Paraguay, the two countries are jointly creating, at Itaipu, a giant generating station —whose 12.6-million-kw. capacity will exceed by 30% that of its largest predecessor, the U.S.'s Grand Coulee Dam.

To make it possible, the river itself is being diverted into the parallel channel, 2,000 meters long, 150 meters wide and 90 meters deep, that appears at left in the photograph. Via this mammoth, man-made waterway, which has taken almost three years to carve through solid rock, the Paraná will bypass its natural course until the massive Itaipu Dam, with its battery of 700,000-kw. turbines, has been completed across the original riverbed.

"Citibankers have recognized a special responsibility"

In financing this almost $9-billion project, Citibank, through Citicorp International Group, is to date one of the most important private-sector providers of funds.

Says Citibank Vice President Ivo Tonin: "From the outset, Citibankers have recognized a special respon-

Citibank, N.A. Member FDIC

Right and left: General José Costa Cavalcanti and Sr. Enzo Debernardi of Itaipu Binacional. Center: Citibanker Ivo Tonin.

sibility—not simply to supply Citibank funds, but to stimulate and arrange participation by other financing sources, in other countries, in this major international undertaking."

Citibank's worldwide commitment

General José Costa Cavalcanti, of Brazil, Managing Director of Itaipu Binacional, and Adjunct Managing Director Engineer Enzo Debernardi, of Paraguay, have expressed appreciation for the combination of Citibank financing capability and the specialized skills Citibankers are contributing to the project.

That contribution can be measured in terms of production—the 75-billion kilowatt-hours of energy this new plant will be capable of producing each year.

It can be measured even more meaningfully in terms of *progress*—the economic and industrial progress Citibankers work innovatively to foster. In Brazil, in Paraguay—and around the globe, through the worldwide offices and facilities of this leading international bank.

CITIBANK

A subsidiary of Citicorp

8 mg "tar", 0.8 mg. nicotine av. per cigarette by FTC method.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Introducing *Rich Lights* from Viceroy.

The first low'tar'cigarette good enough to be called *Rich*.

Kings and 100's.

© 1979 B&W T Co.

nderachieving Zapata Corp.'s boss faces a areholder challenge, but by a lucky maneu- r he averted a greater threat to his tenure.

Saved by the bell

By James Flanigan

WHAT LUCK for Chairman William H. Flynn of Zapata Corp.! The afternoon before an irate holder 00,000 Zapata shares files a formal l demand for the company's share- ler list to solicit support for replacing nagement, a holder of 600,000-odd es—not at all irate but potentially e dangerous to Flynn's job security— nes and offers to sell his block to ata at two dollars above market. n and Zapata's five other directors pt, and the private transaction is summated in the five-business-day od when a company is legally enti- to stall off the seeker of a sharehold- st. Zapata management thus averts a ible combination of hostile forces.

nat's how it happened according to n, the gaunt 52-year-old boss of Za- , the underachieving offshore drilling glomerate. The 600,000-share man Crane Co. Chairman Thomas Mel- Evans, a shrewd maker and threaten- acquisitions. Evans had bought over 000 Zapata shares a year earlier, hop- to attract a takeover candidate to ata, a company with almost $1 bil- in assets that has earned less than million in the last two fiscal years bined. That's a return on those as- of one-half of 1%. Zapata bought ns' remaining stock—he had sold 000 shares last August on the open ket—for $15 a share, a breakeven e for Evans counting his dividends, a premium of $1.13 to $2 over the

Zapata Chairman William Flynn
But where is his shareholders' luck?

market price on the day of purchase.

The irate shareholder is Houston millionaire John F. Maher, former president of Reed Roller Bit Co. (now part of Baker International) and involved with Zapata since its acquisition of a dredging company in 1973. Maher, 70, has been buying Zapata stock for years, sensing an opportunity of sorts in the woeful record of a company that has gone from earnings of $30.3 million, or $2.89 a share, in 1975 (on $351 million revenues) to a mere $5.6 million, or 59 cents a share, last year on $521 million revenues.

Flynn attributes those poor earnings, disarmingly, to his own wrong decisions. Back in 1973, after Zapata had sold its international shipping fleet and got its debt and equity in equilibrium, Flynn committed the company to a $650 million capital expansion program, all of it based on his anticipation of U.S. responses to the energy crisis.

Flynn, a 1947 Annapolis graduate, predicted that the U.S. would accelerate exploration of its continental shelf, and so ordered four semisubmersible drilling rigs at $38 million each, specifically designed for East Coast waters. The U.S. didn't comply with his vision and the semisubmersibles are now working, at a loss, in the calmer waters of the Gulf of Mexico. He ordered eight powerful offshore service vessels for the Atlantic, but work there was insufficient, so three of them are working in the Caribbean and Latin America. He ordered a U.S. flag, 380,000-ton oil tanker in the belief that Congress would pass a tanker protection act. It didn't. Last year Flynn canceled construction and Zapata took a $10 million aftertax loss.

Zapata's debt ballooned to $652 million by the end of 1977, falling back to $515 million at the end of fiscal 1978 after the tanker cancellation. That's still more than double the company's equity of $248 million. Interest cost of $46 million last year ate up good earnings from fishing and from Zapata's one-third interest in a North Sea pipe-laying barge which brought in $16 million net. The barge was not Flynn's idea but Exxon's, which allowed Zapata to buy into and operate the vessel. Its job completed, the barge has been sold.

For such a record the chief executive of many another company would be contemplating a golf course somewhere while the board sent out for a successor. But not at Zapata, where the six-man board obligingly pays Flynn $325,000 a year (double the top salary at SEDCO Inc., reputed to be the best-managed drilling contractor). The board, whose members are elected two at a time to three-year terms, also approved back in 1974 a unique method of retaining the services of present management: interest-free loans. The loans, including $575,000 to Flynn, total $1.3 million and went to six top officers who had to pay capital gains taxes after exercising their

stock options. The board originally tried to lend both the cost of the options and the tax coverage, but the Federal Reserve would not allow that. The officers, whom Flynn calls "exceedingly competent, hard-nosed, hands-on management," remain with the company.

Elsewhere in Houston and the Gulf Coast oil business, Zapata's reputation as an operator is very poor. That doesn't seem to faze Flynn, whose office is a gabled aerie atop Houston's landmark Pennzoil Place building. Stockholder Maher, who has now brought suit, presents a challenge, but Flynn defused the greater danger when he bought Thomas Evan's stock. Of course, it was truly lucky that Evans called Flynn because, under law, Flynn could not have called Evans to solicit the sale of the shares. How happy for Flynn that Evans called him "on the afternoon of Tuesday, January 16th, the day before Maher came with his request for the shareholde list," says Flynn in his slow-speaki precise way.

"I was in San Diego," says Flynn, "I I knew what he was calling about, kn intuitively what he was calling abou talked to him Wednesday morning a agreed to buy the shares at $15." Za ta's 11,000-odd common shareholde have not been so lucky. ■

Cancer-causing substances have acquired a satanic quality among regulators. But the courts and Congress may save us from . . .

Diseased regulation

EVERY SCHOOLCHILD can come up with a list of common, household products that cause cancer: the saccharin in a soft drink, the nitrites in a hot dog, the asbestos in insulation, the red dye in a maraschino cherry and of course the tar in a cigarette. The Occupational Safety and Health Administration has in hand a list of more than 1,500 potential cancer-causing substances. Unfortunately, it now appears that, under the "right" circumstances, any substance that can excite a cell physically can start cancerous growth. Or, as a new bumper sticker puts it: "Life Causes Cancer."

That piece of folk wisdom comes a lot closer to the enormity of the problem than OSHA's attempt to classify as carcinogens substances that have caused tumors (even nonmalignant ones) in two animal tests and to require that exposure to them at workplaces be reduced to the "lowest feasible levels"—at any cost.

Consider what that would mean for just one of these substances—benzene. Richard Wilson, acting director of the Energy and Environmental Policy Center at Harvard University, figures that complying with OSHA's benzene regulations would cost $150 million a year, and that, he says, would save just one half of a hypothetical life. Even that saving is not guaranteed, because in making the control equipment, he estimates, one life would be lost for every $75 million worth produced—thus risking two lives to save one half life.

Comparisons like these, if nothing else, show the quixotic nature of OSHA's anticarcinogen campaign. When President Carter launched his anti-inflation program last year, he told regulatory agencies to prepare studies of the relationship between the money spent on regulation and the potential benefits.

But OSHA head Eula Bingham insists the law she is required to enforce says nothing about considering costs and benefits, so she won't do it: "I have the law to uphold. That is my mandate." When an appeals court threw out OSHA's proposed standards on benzene exposure because they didn't balance costs and benefits, she appealed to the Supreme Court. If she should win, the Administration will probably try to amend the laws.

A study commissioned by the trade-supported American Industrial Health Council estimates that compliance with OSHA's generic cancer policy would cost up to $88 billion. And, says Dr. Elizabeth Whelan, executive director of the independent, nonprofit American Council on Science and Health, occupational chemicals are suspected in only 1% of cancer deaths in developed countries.

Any equation that includes dollars and human lives tends to sound callous. "But we live in a world full of risks," says Ron Lang, director of the American Industrial Health Council. "By dropping the sp limit to 55, we are saving thousands lives. If we dropped the speed limit to we would save even more lives." Bu that reasonable?

That's what industry is asking OSHA—to be reasonable. The Cour on Wage and Price Stability has as OSHA to adopt a policy like the Envir mental Protection Agency's approach toxic substances—that regulators t into account costs of compliance a social benefits in setting standards.

But the Food and Drug Administrat can't change its cancer rules. Under Delaney amendment, the FDA must b food additives that cause cancer in a animal in any dosage—even though study has ever implicated food additi in a single case of human cancer. Whelan calls the Delaney clause a "re lator's dream—no weighing of cost a benefit, no scientific inquiries ab what the animal study means and how interpret it—just regulatory action."

One of the biggest problems in try to keep us free of carcinogens is unreliability of animal tests. Eggs a lactose, which produce tumors in a mals, don't seem to affect people. A nic and benzene are human carcinoge but don't seem to cause cancer in a mals. Worse yet, to speed up exp ments, huge doses of substances are u on animals, which can distort results

Says Dr. Michael Halberstam, edito *Modern Medicine Monthly*: "Many peo view cancer the way they viewed sex the old Broadway melodramas: As s as a woman had her first sexual exp ence, she was pregnant. One whiff c carcinogen and you have cancer. T risk comes with repeated exposure."

No matter what single-minded regu tors like OSHA's Bingham may thi risk can't be eliminated from life. T idea of balancing risks may offend so regulators and lawmakers. Senat Charles Percy (R–Ill.) and Abraham Ri coff (D–Conn.) plan to introduce a requiring an economic impact statem before any regulation goes into eff "How do we value in dollars," they a "preventing asbestos from slowly kill workers in our shipyards?"

With great care, we hope. How c can regulation be made rational? ■

tching the old-line brokerage houses asleep, icago's ContiCommodity has bitten off a g chunk of the commodity trading business.

"We snuck up on 'em"

By Bob Tamarkin

COMMODITIES BROKER Andrew Good recently roused himself out of bed at 2 a.m. Bleary-eyed but cleared, he placed a call to London to e coffee for a customer. "You have to out that extra effort. That's how petitive the business has become," es Good, 26, a salesman in the Los eles office of ContiCommodity Ser-, Inc. This competitive attitude has ed make Conti the fastest-growing modity broker in the industry.

unded in 1970 as a subsidiary of York's huge, privately owned Con-ntal Grain Co., ContiCommodity idden the bull market in commodity ng to near the top, breathing down neck of the leader, Merrill Lynch, ce, Fenner & Smith. Last Year, Con-evenues amounted to $52 million, e Merrill Lynch's climbed to an esti-ed $65 million. Conti's growth, how-seems all the more impressive con-ing that nine years ago, when Conti just born, Merrill Lynch's commod-evenues were already about $40 mil-"I think we snuck up on the major es," says Neil Aslin, Conti's 40-old senior vice president of market-Walter Goldschmidt, Conti's presi-puts it another way: "Our timing very good, securities firms were cut-back in 1970."

stead of catering exclusively to the mercial interests as do most of the ine commodities-only houses, Conti ded to compete with stockbrokers ne commodity trades of the dentist es Moines as well. "From the begin-we were going after the specula-" says the soft-spoken, silver-haired lschmidt, who began as a runner for cinental on the Chicago Board of e in 1939. Conti immediately set up ot line" linking the exchange trading s and its research centers (New , Chicago and Memphis) to its ch offices. It was the industry's first hot line, whereby a broker phoned every order—regardless of size—directly to the floor of an exchange. (The large brokerage houses *wire* their orders unless the position taken is an unusually large one.) Conti also began pitching the public through an intense institutional campaign of full-page ads in the *Wall Street Journal* on the risks ("Why most commodity traders lose money") and rewards ("Should you speculate in commodities?") in trading commodities.

Conti provided the usual educational seminars around the country and encouraged its brokers to become expert in one commodity rather than to spread themselves too thin. And always to promote that expertise. One zealous broker in its Chicago office solicits customers through an introductory letter coupled with a detailed resume of his experience, education, family status, military background. It all builds up credibility. And through its in-house "Yacht Club," management gives a week-long expenses-paid trip to its top producers—not on the basis of how much they made over the year in commissions, but on how much they made for their customers.

From its Chicago office and a dozen salesmen in 1970, ContiCommodity has spread to 30 branches in five countries, employing 250 salesmen. Merrill Lynch has some 300 branches, but only 300 of its 1,000 brokers sell commodities exclusively, according to Jerome Spielman, vice president of commodities marketing at Merrill Lynch. Commodity revenues account for less than 10% of the firm's overall volume.

Conti's success reflects the boom in commodity trading spurred by concern over inflation and the growing use among commercial interests of commodities as a monetary hedge against the dollar's decline. In 1978 commodity trades on the nation's 11 futures exchanges totaled a record 58.5 million contracts valued at $1.5 trillion, three times greater than the number of contracts traded in 1973. Trading in financial futures—GNMA mortgage-backed certificates, Treasury bills, Treasury bonds, commercial paper—had the fastest start in securities history in the past two years, while volume in all futures contracts rose 30%. A seat on the Chicago Mercantile Exchange, which trades everything from pork bellies to Japanese yen, changed hands in mid-January at a record $285,000 compared with the Jan. 18 sale of a New York Stock Exchange seat at $100,000.

Wall Street, too, has done its share to fire up the commodities markets. Brokerage houses began pushing commodities in 1974 to offset then sharply declining stock market commissions. At Shearson, Hayden Stone, Inc., for example, commodities account for nearly 20% of the firm's revenues. For its fiscal year

ContiCommodity's Neil Aslin (left) and Walter Goldschmidt
Going after the dentist in Des Moines with an intelligent pitch.

ended June 30, Shearson's commodity revenues totaled $44.3 million, a 325% increase from the $9.8 million commodity volume in 1973. Others doing sizable commodities business include E.F. Hutton (an estimated $35 million) and Dean Witter Reynolds ($25 million to $30 million). And there are the newcomers: Blyth Eastman Dillon is set to do business after hiring three commodity specialists away from Loeb Rhoades Hornblower to head up its newly formed department. Even investment banker Goldman, Sachs & Co. is about to jump on the bandwagon. It intends to offer commodity trading—mainly in financial instruments and precious metals—to its customers. Goldman recently hired Daniel Amstutz, 47, away from the presidency of Cargill Investor Services, subsidiary of giant grain merchant Cargill, Inc., to set up Goldman's commodity division. The lure: a general partnership rarely offered to an outsider.

It all adds up to a competitive scramble for customers and salesmen who understand something about commodities. For fast-growing firms like Conti, which prefers its new salesmen to have three to five years' experience, pirating talent has become a way of life. For instance, nine of the ten brokers in its Los Angeles office came from other brokerage houses. The pickings over the years have been especially good at Merrill Lynch. Says Spielman: "We were the target with the most talent." Talent, he admits, that was underpaid compared with the other commodity houses. But, he adds, "Two years ago we did what was necessary to reassert our position." Merrill Lynch paid a bigger salary plus commission to its salesmen. (Commissions, once standard, are now unfixed in the industry. A commodities broker generally gets anywhere from 25% to 40% of each commission.) Merrill Lynch expects to add some 100 new commodities brokers to its force this year.

With all of this momentum, Conti is not yet a big moneymaker, according to Goldschmidt. "We make a *little* money," he says. The reason, of course, is that most of Conti's earnings have been plowed back into the company for new offices, research, promotion, training and an in-house computer that provides instant customer account information. It eats up most of the profits. But once it stops its superrapid growth, ContiCommodity promises to make Michel Fribourg, Continental Grain's sole owner, even richer than he already is.

Like Merrill Lynch and E.F. Hutton, Conti is trying to lure new speculators with risk-spreading propositions like computer-managed commodities portfolios. But it is the commercial area rather than the speculative where Conti's future lies.

Today a three-year-old subsidiary, ContiCurrency, counsels more than 50 clients, including Abbott Laboratories, Richardson-Merrell, Sunbeam and Allis-Chalmers. And ContiFinancial counsels some 300 clients on currency hedging and speculation and on the relatively new interest-rate futures. "The open interest in Ginnie Mae contracts is bigger than silver, soybeans and corn," says Richard Sandor, ContiFinancial's boss. "The results in the last three years were goals expected in ten years."

For a broker, ContiCommodity is unusually frank in making public the results achieved by its customers. Vice President Aslin says its customers have n $220 million and lost $155 million the past five years, for a net gain of million. This sounds good in a busi where the odds are stacked against ordinary speculator, but "between and 75% of Conti's customers d make money," Aslin concedes. Of ti's 7,000 accounts, about 60% are sp lators and 40% commercial hedgers little less than half of our brokers made money for their accounts," A says—another way of saying that n than half the brokers *lost* money for customers. Refreshing frankness, tha

Booze in the gas tank? Some key congressme think it's the only way to meet the impendi oil crisis of the late 1980s.

Pay now? Or pay later?

TO HEAR SOME people tell it, the answer to all the world's energy problems is gasohol, conventionally refined gasoline spiked with at least 10% alcohol, either ethanol or methanol. Gasoholics say gasohol will save us when world oil production peaks out in the late 1980s. It will eradicate urban sewage and allow taxpayers to stop paying farmers *not* to grow food. It will lower pollution and ease the slow-death "greenhouse effect" occurring on the planet. Our cars will have more zip, automakers will be able to meet government mileage standards and Americans will be able to drive big cars again.

Sounds wonderful, but for a single problem: Gasohol is not yet economic—and may never be. Ethanol costs three times more than gasoline; methanol, though competitively priced, cannot be used in today's cars without engine modification. But the drawbacks have not prevented a boom in gasohol.

In farm states like Iowa and Nebraska, which have lowered their state taxes on gasohol, it already sells at a price competitive with unleaded premium. It's popular throughout the Midwest: The few stations that sell it in Illinois often have long lines; in Iowa, the 200-plus stations that carry gasohol, all of t independents or farm cooperatives, 2.6 million gallons in December, up f nothing last year. In all, about 500 vice stations sell gasohol nationw with growth limited by scarce supply

There is considerable foreign inte in gasohol, too. Brazil has embarked the world's most ambitious progr striving to have all its cars running 20% gasohol blend by 1985. The cou makes ethanol from its large sugar c crop. To help implement the progran has the help of Volkswagen, whic making special cars for Brazilian New Zealand is also interested; it h to turn its glut of natural gas into alc for use in gasohol.

Gasohol is very popular on Cap Hill: A rare alliance of farmers, tim interests, environmentalists, minori and people worried about the U.S. t balance and the dollar has won the s port of such influential senators as Ba Javits, Church, Dole, McGovern and cy. The American Automobile Ass ation likes it too.

The support is wide because alc can be made from just about anyth grain, grain by-products like corn hu contaminated grains, sugar cane, po

ings, cheese whey, wood and wood roducts, garbage, sewage and coal, as as synthetically from the petroleum ion ethylene. Gulf Oil is working on y to make ethanol from cellulose, a c chemical building block of all plant Each group hopes gasohol will be a market for its product: Some 14 on pounds of cheese whey, for exam- sit in Wisconsin storage bins.

ne most influential faction is the lobby, which propagandized for gas- last year when farmers brought tractors to Washington. The result: energy bill includes a 4-cent-a-gallon waiver for gasohol at the pump—ch, assuming a 10% alcohol content, ciplies out to an effective 40-cent-a-n subsidy to alcohol manufacturers.

ohol will soon sell in most parts of country at the same as unleaded premi- gasoline, giving com- ble efficiency.

help things along, Department of Agri- ure is awarding $15 on loan guarantees new alcohol distill- . Senator Church has oduced legislation that ld mandate a gradual chover to gasohol by .

ith burgeoning de- d in the Midwest and ressional backing, aren't companies ing to build new alco- lants?

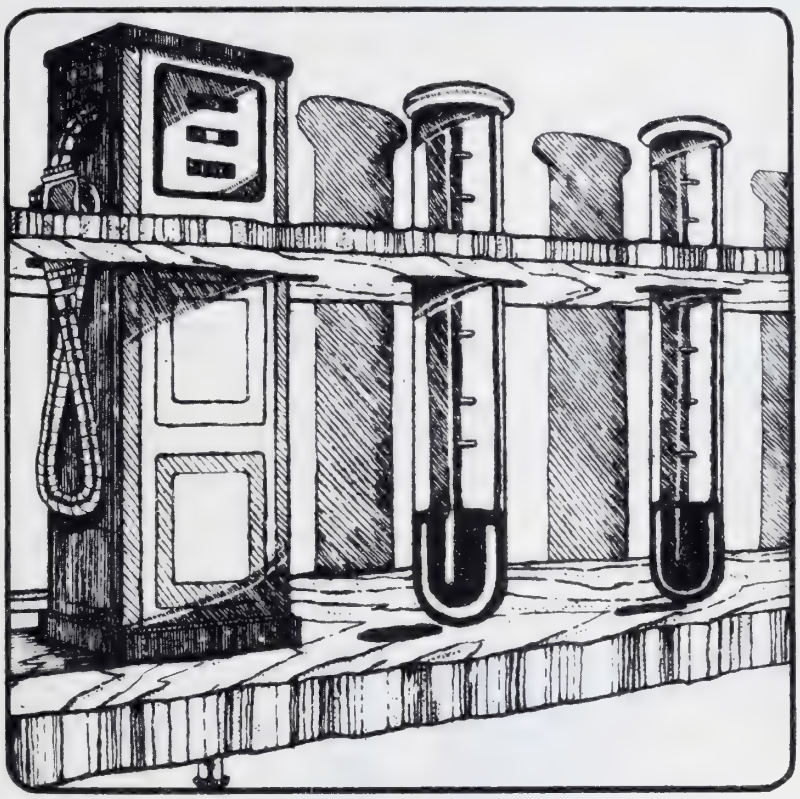
ne hard-line gasoho- contend that it's a h-22 situation: The ket is small because ly of gasohol is limit- he supply is limited use the market is l. And once investors the first risk, so their ning goes, the snow- ng effect will begin.

sinessmen are wary because with- government subsidies, alcohol isn't -competitive with gasoline, which ently sells for about 40 cents a gallon ne refinery. Before committing the million the Cincinnati consultant neering firm of Raphael Katzen As- tes estimates it would cost for a 50-million-gallon-a-year ethanol , they want to be sure that the mar- won't collapse under them if the sub- s are withdrawn (the tax waiver in nergy bill expires in 1984).

nother concern is that raw materials become too costly. Grain prices are riously volatile, and without a pric- nechanism future gasohol prices are edictable. A major gasohol program t well drive up farm prices—good ne farmer, bad for everyone else.

Finally, a filling station must have separate tanks for gasohol, which would mean that a whole new distribution network would have to be built at great expense. This doesn't sit well with the oil industry, which has battled hard against gasohol. Automakers, too, have withheld their support. "We want to be sure this grass roots gasohol movement isn't just a flash in the pan," says Dr. Wayne Brehob, chief engineer at Ford's fuel economy division. The automakers are concerned because gasohol with more than 15% ethanol requires major auto modification; they could become enthusiastic quickly, however, if the Department of Transportation allows them to meet their mileage standards based on gasoline content only.

Although most existing suppliers to gasohol markets—among them, Georgia-Pacific and Archer Daniels Midland—are making a profit off their businesses, they say gasohol figures only partly in their decision to make ethanol; they also rely on the proven markets in cosmetics, aerosols and food additives. One supplier, $7 million privately owned Milbrew, Inc., got into the business as a way of disposing of cheese whey, which it has been storing in bins because the Environmental Protection Agency won't let it be dumped anywhere. Both Milbrew and ADM say they are expanding their capacity—but cautiously. "If we knew for sure what was coming down the road, we'd expand more quickly," says Richard Burket, vice president at ADM. "We're waiting for the Departments of Energy and Transportation to come out with something more substantive."



Gasoholics argue that although gasohol on its own isn't competitive with gasoline now, it soon will be. The cutoff of supply from Iran, the eventual decontrol of domestic oil and the continued upward pressure on oil prices as world supplies dwindle ensure gasohol's future competitiveness with gasoline.

Or do they? "I'm sure alcohol is going to go up in price as petroleum goes up," says Eugene Ecklund, chief of the alternative fuels division of the Department of Energy. "Probably all energy will go up because of the competitive aspects. Our analysis of what price petroleum will have to reach before liquid fuels from coal and oil shale become competitive seems to show that as petroleum goes up, so do the alternatives. The trend lines look like they're not going to converge—the same may hold true for alcohol."

DOE is also cautious because, unless alcohol is made from by-products or waste, most standard processes require more BTUs than they turn out—although, significantly, they are domestic BTUs *vs.* oil BTUs that the U.S. would otherwise have to import.

Is there any viable market, then, for alcohol fuels at today's prices? Possibly. It might be used as an octane booster. Since the EPA outlawed lead and other additives, gasoline has suffered from a lack of octane points, which has reduced performance. Alcohol adds octane points and it meets EPA emission standards, so ARCO is now marketing an alcohol-type additive that could become popular throughout the industry.

But the strongest argument favoring the growth of gasohol is that the alternative may be worse. The oil industry's process of making synthetic crude from coal is still in the research state and won't be ready in significant amounts for the crunch in the late 1980s when world oil output begins to fall off.

"It's not likely we'll have sufficient quantities of liquid fuel from coal or oil shale for transportation until the turn of the century," says the Department of Energy's Ecklund. "We're down to the point then, that if we want to or have to substitute fuels for transportation by 1990, about the only choice we have left is alcohol."

With the alternative being 20 more years at the mercy of OPEC, it may be smarter, in the long run, to pay the higher prices now rather than later. ■

Every time René Lévesque opens his mouth, the Canadian dollar sinks further. Which is why the Bank of Montreal is turning itself into one of the biggest retail banks in the U.S.

Ici on parle argent

PROVINCIAL PREMIER René Lévesque, who wants to make Quebec a sovereign nation, has directed, under a new law, that all business signs in the province be in French rather than in English. But the $32 billion Bank of Montreal, whose head office is in Quebec, will continue to have dual bronze signs proudly bearing its name in English as well as French. It can do so because in Canada banks are chartered under federal law rather than provincial law.

But the Bank of Montreal is taking no chances. Against the day when it may be faced with U.S. banking competition in its home area, the bank is expanding aggressively in the U.S. Hence the announcement last November that it had made a deal to buy 89 of the 104 Bankers Trust Co. branches in the metropolitan New York area. If the New York State banking authorities approve, Bank of Montreal would become overnight one of the biggest retail banks in the U.S.

The Bank of Montreal is not alone. All of the "big 5" of Canada's 12 chartered banks are moving aggressively into the American market. These are giant operations, comparable in size to the biggest U.S. banks. The biggest, Royal Bank of Canada, has assets of $41 billion. It is less interested in retail expansion but plans to enlarge its U.S. wholesale operations. The others are Canadian Imperial Bank ($38 billion assets), Bank of Nova Scotia ($28 billion) and Toronto-Dominion Bank ($24 billion).

The Canadian dollar was recently quoted at 83.97 cents (U.S.), the result of a massive flight of capital. Since 1976 when the Parti Québecois won political control of the province, individuals and businesses have been shifting funds to other parts of the country and to the U.S.

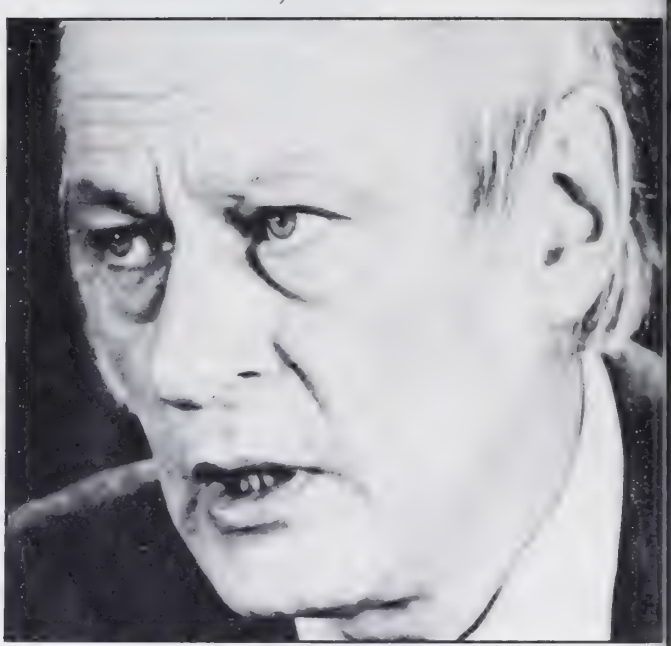
The U.S. dollar was falling 12% against other currencies, but the Canadian dollar was dropping faster. From a high of $1 (U.S.) in early 1976, the value has drop to below 84 cents. Its value would be e lower if the Canadian government had spent about $6 billion in little more t two years to support its dollar. It wo have been much lower, too, if Canada not blessed with valuable natural reso es such as timber, copper and oil which exported in substantial amounts and b in more than $45 billion of foreign change annually.

The banks are following their cust ers—and their customers' mone south. Quebec policies have cre many problems for the province and the country. The economy had b slowing prior to the November 1976 e tions. The French victory, however, celerated the move. Most of the shift been subtle. Corporate officials will talk about it on the record. But t concede that many manufacturing c panies have quietly reduced the w force in the Province of Quebec and creased output elsewhere. Furtherm many are initiating or expanding production.

The way things are going Léves will inherit a badly depleted econo The fault will mostly be his and his lowers' but he will, of course, place al the blame on the federalists.

In Florida, Arizona or Southern C fornia, anywhere in the U.S. Sunbelt, will find a large Canadian populati Ever since World War II, prosper Canadians have wintered here. N however, many have become year-ro residents. They are frightened not c by Lévesque, but by socialist tenden evident elsewhere in Canada.

The Bank of Montreal owns 9% of Royal Trust Co.—a Canadian mo



Bank of Montreal President and CEO William D. Mulholland (left) and Quebec Premier René Lévesque
Canada's banks are running south after their customers to offset an uncertain future in Quebec.

nager not related to the Royal Bank ch has several successful commercial ks in Florida, where much Canadian ney is handled.

Villiam D. Mulholland, president and O of the Bank of Montreal, empha- s that his organization already has a e chartered bank in New York at 2 l Street and another in San Francisco 25 California Street. In addition there representative offices of the parent k in Chicago and Houston as well as ncy operations in New York and San ncisco. Mulholland is himself a U.S. zen, born in Albany, N.Y. A partner Morgan Stanley & Co., he resigned to o Canada in 1969 to become presi- t of the multibillion-dollar Churchill s power project. There he attracted attention of the Bank of Montreal became its president in 1974 (he had n a board member for several years).

he southern expansion of Canadian king institutions has created a major aratus, already in place, for handling transactions of Canadian and U.S. tinational corporations. Many Cana- n corporations are American owned American affiliated. It has been natu- for the Canadian banks to establish rations here to make loans and facili- corporate deposits.

ut purchase of the Bankers Trust aches would break new ground. It ld bring a Canadian bank with $32 on in assets (Bankers Trust has $26 on) and over 1,200 retail offices wled from coast to coast in Canada head-on competition with Citibank, nufacturers Hanover, Chemical and se. Carrying only the Master Charge it card now, the Bank of Montreal not yet decided if it will buy the kers Trust Visa card operation or t its own. Either way, it will certainly me a factor in retail credit.

terms of mechanization, the big adian bank is probably second only Citibank in this hemisphere. "Our need would be to get the Bankers st branch system into a shape that forms to Bank of Montreal stan- s," says Mulholland.

Will the New York State Banking De- ment approve the deal? State Bank- Superintendent Muriel Siebert will no opinion until papers covering proposed branches' sale are present- Why? Because U.S. banks are given limited rights to operate in Canada Siebert would like to see a little procity. Section 202A of the New k State law, in fact, makes reciproc- a condition of approval. A banking rm bill that would open the door er to foreign banks is now before the adian Parliament. Its progress there, ever, is almost invisible.

eanwhile, the outflow of capital n Canada has slowed considerably, rding to Richard M. Thomson, chairman and CEO of the Toronto-Dominion Bank. So much capital is below the border, he added, that there is a need for Canadian banks to move south following their longtime customers. More Canadian companies are moving into the U.S. "As they become bigger they look upon North America as their natural market, rather than just, say, Canada. We also do business with many companies in Canada—about 350 of the top 500 are owned by foreigners—which are subsidiaries of U.S. companies."

However, Lévesque says he will demand a provincial referendum on independence for Quebec as soon as the national elections are over. Timing of elections has not yet been announced by Prime Minister Pierre Trudeau. Lévesque is counting on a backlash among English-speaking Canadians to defeat the moderate government of Prime Minister Trudeau—a backlash which he hopes will strengthen his claims that French-speaking Canadians are second-class citizens. As the date of the proposed referendum approaches and Lévesque's fanaticism becomes ever more threatening, the outflow could easily reach flood proportions. In that case, the Canadian dollar could fall well below the present low state—in spite of the boost it will get next year from increased exports of natural gas to the U.S. If that happens, the Canadian banks want to be here to receive their share of it. ■

While Jimmy Carter flirts with controls, France moves toward decontrol. What's going on here?

New cure for the French disease

By Barbara Ellis

"When a pot is boiling over, you don't stop it by sitting on the lid," says French Economics Minister René Monory, taking an implied jab at Jimmy Carter's current economics. "Price control is not the way to fight inflation. Look at West Germany. They don't have . . . controls and their rate of inflation is one of the lowest in Europe."

Monory is no academic parading a pet theory. Since last March's electoral defeat of the left-wing parties, working out of a high-ceilinged Paris office in his palatial ministry built during Napoleon III's reign, he has spearheaded a program to restore freer market conditions after more than 30 years of economic management from Paris. His strategy: Move away from the so-called *dirigisme* that put price controls on everything from croissants to champagne.

Economists were skeptical and predicted soaring prices, but—helped, admittedly, by a weaker dollar which cheapened imports—inflation held steady at just under 10% for 1978, with 9% forecast for 1979. Somewhat hesitantly, like a patient walking again after a long illness, France is learning to live again with a relatively free economy.

A surprise appointee to his high-level job, Monory, 55, is what the French call *un self-made man*. Lacking a high school diploma, let alone the college degrees that are usual for most French politicians, he started work at age 16 in his father's small garage in a country town 200 miles south of Paris. Eventually, it became one of France's most successful Massey-Ferguson dealerships. It is quite a switch for France, traditionally led by intellectuals and technocrats, to take its economic medicine from a practical businessman. His aim is fundamentally the same as that of the deposed planners—to enable French industry to stand on its own—but his methods are entirely different. Where they chose rigid planning, Monory prefers to let unleashed natural competitive forces do the work.

"We have to give chief executives back the full responsibility for running their companies," he explains, "and we have

France's Economics Minister René Monory
Promoting decentralization from an office built in an age of centralism.

to ensure they have the means to develop by financing their investments in a healthier way than by borrowing. . . ." So, last July, a new "Monory" law went on the books to entice small savers into the stock market (FORBES, *Dec. 25, 1978*). By year-end, over 1 million investors responded; new capital issues were double the 1977 figure.

Monory, who started his political career 20 years ago as mayor of his hometown of Loudun in south central France, outlines the thinking behind his strategy: "We had it easy for years," he says, "privileged relationships with poor countries [colonies] which supplied us with raw materials; a domestic market protected from international competition; and secure export markets. That's all over. As of now, we are paying the full price for raw materials. The price won't be going down, and we shall have to meet industrialized, advanced-technology countries on equal terms. It won't be easy. French companies will have to win or die. Winning is being competitive—in the domestic market as well as in exports. Freeing prices is just the start."

Wages, though, have not been freed. With only about 25% of France's work force unionized and the opposition political parties split, keeping this lid on has been unexpectedly workable. Monory has insisted that purchasing power should not get out of step with the rate of increase in consumer prices. As the largest employer, the government can make his wishes felt. One in every five French workers is a state employee, excluding the mostly nationalized banking system and Renault. Private companies that don't restrain wages find they lose out on export credits or government contracts.

Monory's soft-on-companies-hard-on-wages line has gained him a conservative image he characterizes as "disastrous." What his left-wing critics seem to forget—like some American "liberals"—is that business profits are not some kind of skimming by the rich but rather the chief form of savings to pay for business expansion and modernization. "I'm the opposite of right wing," he says, "have been for 20 years. I'm for giving people responsibility for their own future. . . . In an economic system where international competition is going to get tougher, we have to redistribute power—decentralize. That's what I have done in my own business. Three of my executives now own 22% of it. That is why there was no problem when I took on political office." In short, Monory does not regard himself as a conservative but as an old-fashioned liberal.

According to Monory, this redistribution of power will not mean the selling off of France's many state-run businesses, though observers think that, especially in banking, private companies will gain substantial market share. ' course, we don't want any further ext sion of state control either," he adds.

The biggest potential threat to Mon and his experiment with economic fr dom is the unemployment rate. " problem number one," he admits. L month's figure of 5.7% is on a level w the U.S. December total, but high France. Monory sees no quick fix h Though he opposes keeping sick bu nesses alive to protect jobs, he has ready been forced into a virtual natio ization of steel and some patchy aid p grams for depressed areas. A more iro problem: protest from businessmen w fear competition and loss of protecti Fortunately for Monory, however, th won't be a major election until 1981.

What's next for France's most pow ful small businessman? "With my ba ground, I never expected to be Econ ics Minister. That's quite enough for moment," he says, but others say he more far-reaching ambitions if his p gram produces results. He cannot h forgotten the late Ludwig Erhard, German economics minister. Erh made his name as the architect of German miracle by adopting many of measures that Monory now espouses. hard later became chancellor of G many. What could be a greater honor a former tractor dealer than to beco one day president of France? ■

1979 Caprice Sedan in Silver Classic Custom Two-Tone.

If you can take your eyes off this handsome car long enough to go ride in one, you'll surely come away with a clearer understanding of why America has driven it to the top.

The quiet zone.

One of the most pleasing aspects of The New Chevrolet is the quiet way it moves. Why so quiet?

For one thing, its tightly welded Body by Fisher rests snugly atop a sturdy full-perimeter frame, joined by 16 strategically placed rubber mounts to help muffle road noise and vibration.

Inside, the ceiling is actually an "acoustical sandwich," with a thick layer of sound-absorbing polyfoam backed by hardboard and finished in fine fabric.

Oh so comfortable.

The ride is impressively smooth and comfortable.

Large coil springs at all four wheels help soak up the bumps, while a front stabilizer bar helps control sway.

And to add to your comfort, The New Chevrolet surrounds you with generous space. It's a 6-passenger car, with more head room and rear-seat leg room than the 1976 full-size Chevrolet it replaced.

An accomplished car.

No other new generation full-size car can match The New Chevrolet's record of success and accomplishment.

It became America's best-selling car within weeks of its introduction, in the fall of 1976.

It attracted more than a million buyers during its first two years.

And now, in its third big year, it is still clearly America's favorite car and the pacesetter for all other cars of its kind.

The New Chevrolet has paid its dues under diverse driving conditions on virtually every kind of road. Yet for all its success and experience, it is still one of the newest new cars on the market today.

Own it, love it.

Our feedback indicates a high level of owner satisfaction with The New Chevrolet.

What pleases the people the most? Things like ride, comfort, and ease of handling. Things you can easily check out for yourself when you test drive a New Chevrolet Caprice or Impala.

Do it soon, at your Chevrolet dealer.

America has driven it to the top. Chevrolet

The Budd

"After 40 years of gloom, now there's

"All but forgotten since World War II, passenger rail transportation is making a strong comeback. The reasons—modern railcars and fuel-efficient systems."

In the words of Gilbert F. Richards, Chairman of the Board and Chief Executive Officer, The Budd Company, "We've been designing and building stainless steel railcars since the early 1930's. And while others may have abandoned the rail business, we've never lost sight of our commitment. So, today, rail passengers have something to cheer about."

Our newest railcar is a good example. The Budd SPV-2000 is the railcar of tomorrow that's here today. Made of stainless steel, this energy-efficient rail vehicle

is self-propelled by diesel engines. And it's adaptable to move people efficiently, comfortably, reliably in nearly every type of service: commuter, inter-city, shuttle, branch line, you name it.

The SPV-2000 has been successfully tested in revenue service in Boston, and also demonstrated successfully in Washington, D.C., Philadelphia, New York, Hartford/Springfield and Chicago.

Budd built the original Metroliners that operate between New York City and Washington, D.C. We're helping to revitalize the national railway system by supplying Amtrak with modern Amfleet cars.

Rails and roadbeds, too, are high on our list of priorities. Budd is one of the world's leading suppliers of rail anchors and tools for helping to upgrade tracks to accommodate our faster, more comfortable and fuel-efficient railcars.

Mass transit today is nothing like mass transit used to be. It's clean, fast, pleasant, efficient. Interiors are tastefully decorated, aisles are spacious, seats are comfortable.

Alternative:

some good news for rail passengers."

And down the track, Budd has recently introduced the stainless steel Budd International Railcar to help countries anywhere in the world upgrade passenger rail transit, or to help emerging nations who wish to link the people of their country with a modern, up-to-the-minute rail system.

The stainless steel Budd International Railcars are shipped knocked-down in crates to the rail site. Then, they can be assembled and custom-finished by hand in a matter of days using local semi-skilled or unskilled workers.

Throughout the world, Budd and its affiliated companies have built more than 10,000 railcars in all, for the world's most progressive rail lines and transit systems. Everywhere from the modern, beautiful São Paulo Subway System cars to our contract to provide the Chicago metropolitan area with modern, bi-level gallery cars.

The Budd Company pioneered *modern* transportation with the development of the first stainless steel passenger railcars like the Burlington Zephyr, and with many other significant "firsts." Since then, Budd has produced enough railcars to stretch one-third of the way across America.

So, today, now that our country is ready for the efficiencies and economics of mass transit, Budd isn't standing still.

If you'd like to know more about what's new and good in passenger rail transportation, write The Budd Co., 3155 West Big Beaver Rd., Troy, Michigan 48084.

THE PROBLEM SOLVERS FROM BUDD.

THE Budd COMPANY

The revolution in divorce laws has changed "'Til death do us part" to "'Til somebody wants out," and the lawyer and the accountant are becoming more important to matrimony than the matchmaker or the minister.

The high cost of leaving

By Kathleen K. Wiegner

Is that enough to keep you happy? Is that enough? . . . You just love that expensive stuff. You got a flair for style. . . . What could I do? The judge said "She got to keep on livin' the way she 'customed to." She's tryin' to break a man. I don't understand. Somebody tell me please. Tell me please why do I have to pay attorney fees? This is a joke. I need a smoke. Wait a minute. . . .

—from *Is That Enough* by Marvin Gaye

POP SINGER Marvin Gaye, whose latest two-record album, *Here, My Dear,* is devoted entirely to his recent divorce, knows whereof he speaks. Under the terms of his settlement, wife Anna will get $60,000 plus up to $540,000 in royalties on the album. As for Gaye, he's up to his neck in debts and in bankruptcy.

For better or worse, there is a new freedom in our society—a freedom to change mates that in the past was confined almost entirely to the very rich. But it doesn't come cheaply. Americans are spending billions of dollars a year for divorce services from such assorted professionals as lawyers, judges, accountants, psychiatrists, writers and private eyes.

Last year over a million couples called it quits, doubling the figures of a decade ago. Should present trends continue, the number of divorces may well reach 1.6 million by 1990. If so, the number of couples getting divorced would *exceed* the number making their first trip to the altar.

As with any other major change in our society, some people are making a lot of money out of the switch from 'til-death-do-us-part to it's-time-to-split. Take the book business. Books such as *The Fighter's Guide to Divorce, How to Avoid Alimony, Creative Divorce* and *What Every Man Should Know About Divorce* sell briskly. So do the do-your-own-divorce books and kits. Divorce clinics, divorce counseling services and self-help groups—such as Fathers for Equal Rights, Organization of Women for Legal Awareness (OWLA) and American Divorce Assn. for Men (ADAM)—are springing up everywhere. The effects of divorce are felt even outside the divorce business. Glencoe, Ill. real estate agent Jane Davis, for example, says that "divorce is one of the prime reasons for selling homes today."

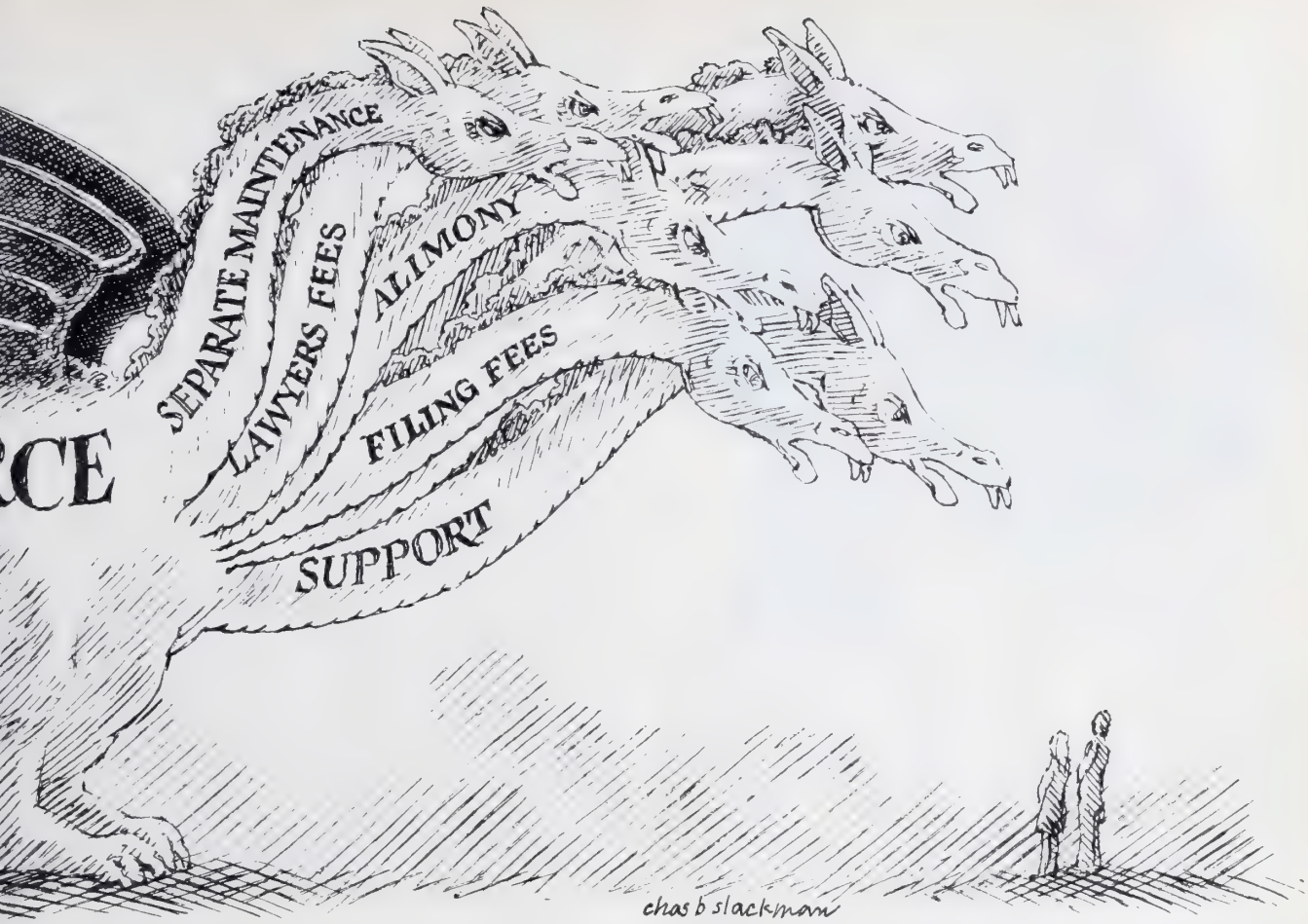
Add it all up, it works out to about $3,000 per divorce and makes divorce a $3 billion industry. (Some successful divorce lawyers can earn as much as $400,000 a year.) All this divorce activity has left family courts clogged with cases. Estimates are that over 50% of the civil cases heard in New York City are family law cases—divorce, separation and annulment—and this figure does not include the cases that come into the family courts for custody or support modifications once couples are divorced. In Chicago 26 judges are assigned to hear matrimonial cases, and lawyers complain that because of the crowded courts, divorces drag on and on, at emotional and financial cost, and that judgments are often hurried and thus unfair.

One step toward alleviating this pressure began this year in California. A new law permits couples who meet certain criteria such as a short marriage, no children, few debts or assets, to obtain a divorce without making a court appearance. Simply fill out some forms, wait six months and then inform the court that you want the divorce finalized.

Financially speaking, there are two divergent trends. On the one hand, courts are far less generous to former wives than they once were; no longer is the lady treated as a tender flower to be protected from the cruel world with a lifelong share in the husband's income. But on the other hand, she is more likely to get a good-size chunk of the family property.

For instance, California, a community property state, can be especially rough on propertied husbands.

Consider Dr. K. After years of medical school training, internship and residency in orthopedic surgery, he is now



list in Beverly Hills, making more money than he ever ed possible. Perhaps because of his affluence, by age 40 tired of the wife and kids and files for divorce. His wife his first settlement and off they go to court. Both sides g-time divorce lawyers. The $125 an hour they pay for uxury is just the beginning. Their home is in Beverly where property values seem to appreciate almost daily, ppraiser must be brought in—at $60 an hour plus $500 a he testifies in court—to evaluate the house and furnish- A fine arts appraiser will be needed for the Chippendale op art in which the couple has been lovingly investing. a business appraiser will be needed to estimate the 's practice, including not only his receivables and equip- but also the goodwill. The bill for that could run as high ,000 if the appraiser has to testify and if his opinion is ted by a second appraiser representing Mrs. K, who es the doctor is worth a lot more than he admits.

r. K has also invested money in apartment houses or oil- g leases, these too will have to be appraised. Perhaps an y will be brought in to evaluate the worth of his pension nd other expectancies, such as retirement benefits or life nce. Finally, a tax expert will be asked to give his opinion consequences of each transfer of property once the court s who gets what.

re he's finished, Dr. K could shell out as much as 0 in fees, not to mention what he eventually pays his This sum excludes the psychiatrists' bills. Without psy- c help, Dr. K and his wife would probably not make it h the months and even years it sometimes takes to get a e through the courts.

ny clients come in and say, 'My husband and I have d out a simple little agreement. We just want you to t down,' " recalls Beverly Hills attorney Arlene Colman- mmer. "She brings in a disorganized carton of financial documents and this 'little agreement' is a multimillion dollar estate. In order even to put together an agreement you have to have a total inventory of assets. How can you distribute if you can't 'value'?"

Only seven other states are so-called "community property" states like California. Thirty-six states that used to follow English common law—that is, whoever holds title to property gets it after a divorce—now allow the courts to divide property "equitably." That doesn't mean a 50-50 split; the court does what it considers economically fair to both parties.

Only seven states (Florida, Mississippi, Pennsylvania, Tennessee, Virginia, West Virginia and New York) still are what is known as "title only" states, where the person who holds title to property gets it following a divorce.

As the case of Dr. K graphically illustrates, a key question in divorce now is, What is an asset? Answering that question is what keeps the specialists' meters clicking. In some states, pensions, retirement benefits and life insurance expectancies are considered assets, and many lawyers feel that by logical extension Social Security benefits may soon be added to the pot. California courts will accept business valuations which include something extra for goodwill in a doctor's or lawyer's practice; Texas courts will not. Sometimes a single asset can have several parts—*i.e.*, part of it belongs to the couple and part to the individual. When best-selling author Robert Ringer got divorced, his wife claimed that part of his book *Winning Through Intimidation* had been written during their marriage and claimed her share of the royalties. The wife of a man who designs games claimed future royalties because the games were developed during their marriage. In this way, the line between property and income often becomes blurred. The principle that the efforts of a person during marriage belong to the marriage applies to songwriters, novelists and even real estate developers (even if the deal was only in the planning stages before the

Don't get so involved in the rightness of the issues that you can't reach a settlement. Don't go to court just because the appraiser says the house is worth $400,000 and you say it's $350,000. The difference can vanish in legal fees.

split-up) in that expected future income becomes a kind of property. Legal theorists worry over the question of how much of a person's future another person can own after a divorce. But at the same time one of the hottest ideas circulating in law offices is whether or not there can be something called "the right of publicity"—meaning that the money spent to make a celebrity well known was like an appreciating asset and therefore the celebrity's spouse should be able to claim some percentage of the money his fame now brings in.

Even "simple" assets are never quite that simple. Suppose a man is a majority stockholder in a closely held family-owned corporation. Other family members own the minority interest. Should the stock value be discounted because by splitting the stock with his wife the man no longer has a controlling interest in the corporation? But what will the stock really be worth to the wife, who now finds herself a minority shareholder in a corporation controlled by her ex-husband's family? Finally, what are the tax consequences of the stock transfer once a value has been decided upon? No wonder lawyers and accountants keep getting fatter and sleeker!

In some instances corporate "perks" can be taken into consideration in determining fair spousal support, since some courts have ruled that one person is not supposed to live better than another after a divorce. If a husband gets the use of a company-owned car and has a travel and entertainment budget, a pension and profit-sharing plan, bonus plan, medical and life insurance as a part of his job, his wife may be given extra money to compensate.

If a wife can prove her husband's secretary is really his mistress and that the secretary's salary is not going for typing, that salary will be added back into the company's inc when the business is evaluated. The same holds true relatives if their salary is not being earned. An internist private practice is earning $100,000, approximately $30, more than an internist employed by the county hospi Those excess earnings may become the basis for a good valuation when his practice is appraised.

Not all the assets couples fight over, however, are subst tive. One couple's property settlement bogged down w they could not agree on who got the slides of Africa they taken on a vacation. The case went to court where the ju pointed out that for around $40, well below what they spent by fighting, they could have had the slides duplica Another woman in Wisconsin won the right to use the c ple's season tickets to the Green Bay Packers football ga for two years before they reverted back to her husband. A among the items noted in Johnny Carson's second divo along with $200,000 in cash, an equal amount of property $100,000 per year in alimony he paid to the second ex-M Carson—as long as she didn't remarry—was her right to cu dy of their Yorkshire terrier.

Terriers and slides, of course, are property. Earning powe something else again. Alimony was a means of giving woman, considered to be helpless in a man's world, a shar her ex-husband's income. But if the courts are getting m generous in giving the wife a share of the property, they being less generous in awarding her a share of her ex-husba future earnings. With the advent of more equitable prope distribution—and a dash of women's liberation—alimon increasingly being awarded for limited periods of time, if at where the woman is young and the marriage is not a long c In most states it is not even called alimony, but "spou support," and is being given in lieu of tangible assets (si some assets simply cannot be split down the middle) or a short-term "fix" until a person receiving it can learn a skill become self-supporting.

"The woman who comes into court saying, 'I have intention of working or going to school,' is usually given most limited kind of support for the most limited perio time," says Arlene Colman-Schwimmer. "So I encour women to come into court with a plan of some kind, e frankly if it's not a plan she intends to follow very long

Given women's increasing earning power, alimony is longer the sole province of women. In 40 states, incl ing Massachusetts and Colorado, either a husband wife can receive it, and a case before the U.S. Supreme Co could end the it's-the-man-who-must-pay bias in the rest the states. Already states like Texas and Pennsylvania do allow courts ever to give alimony permanently. And in ot states, like Indiana and Nevada, permanent alimony is give a spouse only if she is handicapped or physically unfit support herself. Women, in short, are no longer treated dependents who could not survive without male help.

"Alimony is not that big an issue anymore," concedes Lo Filczer, president of ADAM, the militant men's rights gro "Only 10% get alimony, and it can be limited now like couldn't before." Under the new thinking, courts seldom c sider moral or social conduct but concentrate on econor issues such as occupation, amount and sources of incor vocational skills, liabilities and earning opportunity in mak alimony awards. Florida and Maine are among the 22 sta that include the homemaker's contribution as parent a housekeeper in their figuring.

Sexual conduct does play a role, however, in the right c person after a divorce to go back to court and ask for a cust modificaton or for a decrease in alimony payments. In Cali nia, for example, if a woman receiving money from her husband lets her lover move in with her, the ex-husband c ask the court to reduce his payments just as if she had rem ried, which is usually when alimony stops. Private detectiv who used to do most of their work uncovering grounds

rce, now do surveillance for husbands who want to reduce
nony payments.
omplexity is piled upon complexity. There is a vast gray
between what is property and what is income, as in the
when a court decides that a medical practice is an asset or
future royalties are present property. The more this be-
es a matter of legal hairsplitting, the more money the
yers and other experts make out of divorce.
ll this profitable—for lawyers—complexity is quite new.

Before the 20th century, divorce was rare. The rich, both men and women, usually took lovers and the middle class and poor suffered—though rarely in silence. The e was still the major unit of economic production when ple raised their own food and made their own clothes. ping the family intact was an economic necessity; women little opportunity to work outside the home, where big ilies and few appliances kept them too busy to do more dream of a better mate. Only when the factory and the oration began to take over the family's former economic could divorce become more than a luxury. In recent years, nore women have entered the work force, the divorce rate risen (statistics bear out that the probability of a marriage ng in divorce is higher when the wife works). Often ng both spouses working seems to put additional stress on rriage, and women now have the same economic freedom have to bail out of bad marriages.

ntil 1970 you couldn't get a divorce without grounds, such dultery or mental cruelty. The courts were primarily con-ed with determining which party was "innocent and in-d," and thus rewarded, and who was "guilty" and had to But in that year California, which, as in so many other s, has been the social wave of the future, became the first e to eliminate traditional grounds for divorce. California tituted a "no-fault" theory which allowed divorce when-it was determined that a marriage was "irremediably ken." If a person wanted a divorce, that was all the proof court needed to declare the marriage over. Today, all but e states (Illinois, South Dakota and Pennsylvania) allow ault divorce, though not all states have followed Califor-lead in making "no-fault" the *only* ground.

ne result was to stand the divorce business on its head. "In -fault divorce, the courts really have little or no interest tever in what brought about the divorce," says Manley d, a Los Angeles attorney. Instead, "they're primarily inter-d in the financial aspects. This has caused a shifting of the yer's specialization from that of quasipsychiatrist to ac-nting expert." Adds California certified public accountant Gursey, "Before 1970 the knock on the door meant a ate investigator with his camera. Now he's been replaced ne accountant with his calculator."

the same time California instituted no-fault divorce, it decided that the best way to distribute the couple's assets through a 50-50 split, no matter who filed for the divorce who had been most responsible for creating the assets. w when you go into court after a 15-year marriage," ains Los Angeles divorce attorney Sidney Traxler, "it n't matter whether the lady did anything or not. She's tled to half the property. You tell her, 'Madam, it doesn't ter whether you have been drunk on Wilshire Boulevard all long.' She's still going to get 50%." Fifty percent of what? many angels dance on the head of a pin? If California munity property law spreads across the country, divorces going to become more and more complex and litigious.

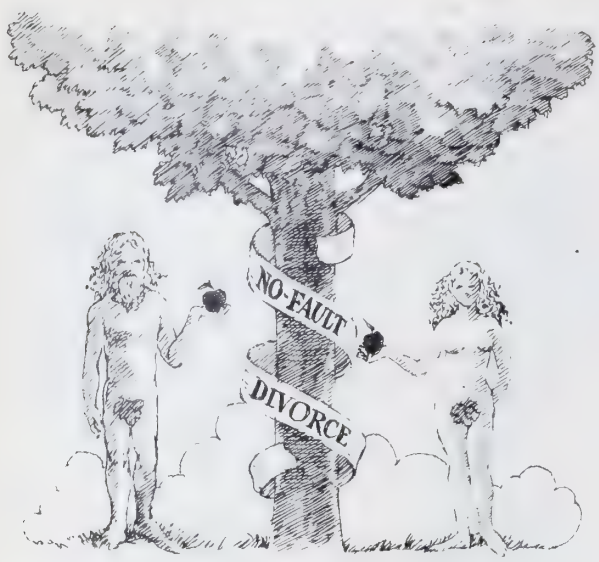
is clear, then, that no-fault divorce is a far cry from no-ver divorce. If it is a big, messy divorce you may want the dful of top matrimonial lawyers who practice in all major s. Perhaps the most famous are those in New York City, ost affectionately known as the "bombers." If your net th is $1 million or more, if you can afford the $5,000-to-00 up-front retainer and if you think of your divorce as an ut war and your lawyer as a lethal B-52, you want someone like Raoul Lionel Felder, William G. Mulligan, Irving I. Erdheim or Morris H. (for "Happy") Halpern. "For many people we're the only game in town," says Felder. "It's a lot like musical chairs."

If yours is an amicable divorce, you don't need a bomber. It is a bomber's job to see to it that his or her client scores points against the alienated mate. Sometimes it is a matter of simple haggling. In other cases, the pair are so embittered that what they want is revenge. Such people regard their lawyers as hired guns—literally bombers. Says one bomber, when asked why he chose adultery as the grounds for a client's divorce, "When you need to crush a fly with a sledge hammer, use adultery."

The real change in the game is that divorce law—once regarded as a slightly distasteful fringe of the profession—is fast becoming respectable. While many big-name law firms still refer their corporate clients down the street to a divorce "specialist," a number of them are beginning to take another look at the divorce business. Irving Erdheim admits that he is coming up against more people from the Wall Street firms: "They are taking a second look. They now understand that the practice of matrimonial law is very substantial." Says one accountant with Ernst & Ernst's New York office: "The big [law] firms used to have a prohibition against matrimonial law when it was dirty business. But now they seem to think the stigma is gone."

If it is revenge you want—punishing the other person—then you will still need a bomber; a cheap divorce is, by definition, an amicable divorce. Where the divorce *is* relatively amicable but where there are substantial assets, your accountant may be more important than your lawyer. A twice-divorced Holly-

Private investigators can be hired if a parent decides to take a child and run. Childnapping, as it is called, is a parent's last resort. Some estimates place the number of children abducted by their own parents last year as high as 100,000.



Divorce talk

As with any profound fact of life, discussions of divorce are conducted in a rich, constantly evolving vocabulary. Below, a glossary of some current terms.

No-fault divorce: To get a divorce it is no longer necessary for one spouse to prove the other was at fault—no more love nests invaded by flash-popping photographers. Incompatability, irreconcilable difference or an irretrievable breakdown of the marriage are cited instead of grounds like adultery or mental cruelty. The grounds are liberally interpreted. One judge defined an irreconcilable difference as one person wanting a divorce and the other not wanting one.

Dissolution: Divorce, in no-fault states.

Spousal support: Used to be called alimony.

Rehabilitative maintenance: Spousal support given for a short time to allow the recipient to become self-supporting. Learn a trade, for example.

Peace of mind surveillance: Hiring a private detective to spy on your spouse to determine whether you should be considering a divorce. The peace of mind comes from knowing that your spouse *was* working late when he said he was.

Modification of spousal support: Request by one spouse either to reduce or to augment the spousal support set at the time of the divorce.

Marvinizing: "In" term for what used to be called living in sin; after the Lee Marvin case.

Bombers: Top divorce lawyers who can convert your anger with your ex into assets. Instruments of revenge as well as of defense.

Childnapping: When parents take their children and run rather than face losing custody. Often used by a parent as leverage to force the other parent into making a better deal in a divorce settlement.

Community property: In community property states, that property which belongs to both husband and wife and must be split evenly at the time of divorce. Earnings, for example, are community property, as is anything bought with those earnings.

Pro se: Legal term for someone representing himself without benefit of a lawyer. People filing their own no-fault divorce do so "pro se." Also called do-it-yourself divorce. **—K.K.W.**

wood producer, who openly mourns the loss of his childr two houses and three baby grand pianos as a result of matrimonial mistakes, is adamant when asked about divor "Divorce should be handled by accountants. Who needs la yers?" Says Donald Gursey, a C.P.A. who spends 90% of time on divorce accounting and tax matters: "I find fault w a lawyer who thinks he's an accountant, because you ca effectively practice any two professions. And there's alwa the threat of malpractice. I remember a case where, to hel client out, an attorney sent his client a bill for legal fees l called them tax services because tax advice is deductible. La on, the client sued him because he claimed he'd gotten bad advice." Says Manley Freid: "Even when you have a sim situation involving one asset, say the family residence, and wife keeps the residence and buys the husband out of his sh of the residence, that alone creates a taxable event, and in m cases the general practitioner lawyer is not even aware of The complication in most divorces is to a large extent beca of tax problems that even the IRS has not recognized bef and now they're recognizing and trying to fill in the gaps."

"While we rarely get involved in divorce cases," says Pe Frank, a Price, Waterhouse partner in Los Angeles, "we do involved where there's something unique or something wh our particular kind of expertise would be extremely valuabl That particular kind of expertise, of course, doesn't co cheaply. Typically a firm like Price, Waterhouse charges fr $15,000 to $25,000 for its work, and the bill could go as high $50,000 or higher, depending on the time spent in cou "Divorce was considered the proctology field of law," s Gursey, "but it isn't now, and I think the big firms beginning to see that there is some value in the business."

Valuation experts, too, are increasingly in dema "There's been a tremendous increase in busines agrees Robert Schultz, whose firm, IBAR Inc., a does consulting in business valuations. Schultz and brother Raymond, two Ph.D.s in economics, were profess doing part-time consultation until 1976 when the busin began to interfere with their teaching. They have worked Dean Martin's wife and are currently doing work for M Jack Kent Cook in her divorce from the Los Angeles spo entrepreneur, whose assets include the Los Angeles Lak basketball team and Kings hockey team. They have a been retained by Lee Marvin's lawyer in Marvin's fight contest the claims of his ex-live-in girlfriend.

Laurence Sommer, vice president of Federal Appraisal S vice in Tarzana, Calif., estimates that 65% of his appraisals real property (houses, furnishings, business machinery) con from divorce cases.

The medical profession also gets a piece of the action. Go are the days when women were automatically given the kids a father decides he wants custody of his children, the o thing to prevent him will be a judge's own preferences, since all but 12 states the so-called "tender years doctrine," wh held that a mother was the fittest custodian of a child, has be abrogated. Now more and more men are seeking custody. T percentage of men winning is still small but has been risi Thus psychologists and psychiatrists must be brought in give opinions on which parent should keep the child, soc workers evaluate the respective home atmospheres and cou will sometimes even appoint a lawyer for the child to ma sure his rights are protected. Private investigators, who adv tise as "custody consultants," can be hired to keep track c parent's sexual habits, how well little Jane is being fed a clothed, and who her friends are, even if it means rummag in trash cans to see if she eats TV dinners every night.

The same private investigators can be hired if a parent j decides to take a child and run. Childnapping, as it is called a parent's last resort to keep his child, and some estima place the number of children abducted by their own pare last year as high as 100,000. Thus far, 28 states have adop the Uniform Child Custody Jurisdiction Act, which provi

erstate cooperation in returning a child to a parent with a ful custody order, and imposes stiff penalties (since child- ping has been ruled not to fall under the Lindbergh kidnap- g laws). But detectives claim that the police are often uctant to cooperate or are just not interested in helping a ent track down his or her child.

uch child-custody laws might also put an end to the career Eugene Austin, known as "Mean Gene," who became al- st a folk hero in his work to help divorced fathers recover ldren in the custody of their mothers. Austin, who calls nself a "custody vigilante" and claims to have snatched well r 200 children, has been written up in the national press has appeared on television in his one-man crusade to rm custody laws.

s all this costly haggling really necessary? The divorce olution has made things more complex for people with stantial assets. But for the couple that has little to lose ept each other—the couple with a house, a car and a few ster Charge debts—divorce can be *less* costly. For a few ndred dollars, they can take advantage of the growing num- of legal clinics that have sprung up in the 1970s. As the ne implies, these clinics offer one-stop shopping for the l problems of middle-income people.

The first, and still largest, of these legal clinics are the Jacoby Meyers Legal Clinics in Southern California, which were nded by two young lawyers in 1972. About 50% of the iness that comes through the doors of their 17 offices ny of them situated in small shopping centers) is divorce k. Since the Supreme Court ruling allowed lawyers to ertise, clinics like Jacoby & Meyers advertise heavily on vision and even take credit cards. In fact, last month Jacoby Meyers opened 12 offices in New York. "We're talking about systems approach to things," says Stephen Meyers. "Our nts are mostly wage earners. Wealthy people don't come to or a divorce. After all, a banker just doesn't go to Household nce."

Divorce can be even cheaper if you choose to do it yourself. ew bucks for a book, such as Charles Sherman's popular *to Do Your Own Divorce in California*, and some legal forms s around $75—and a no-fault divorce can be yours. Or you buy a kit with instructions and forms for less than $100. ome estimates, about 25% of divorces in Southern Califor- last year were do-it-yourself, and in Arizona the figure is eved to be closer to 50%. In fact, John Bates, who brought landmark lawsuit to legalize advertising for lawyers, has e left the legal clinic he cofounded and is selling do-it- rself kits in Arizona.

nfortunately, divorce, involving a rupture of one of the est of human relationships, almost invariably arouses in- se emotions. Since spouses rarely fight duels, they frequent- hoose the courtroom as an arena for enlarging a fight that an in the bedroom or living room. Since this is probably inevitable, lawyers and accountants are beginning to get involved in what might be called predivorce divorce planning. For example, they suggest, particularly if you live in a community property state, that you draw up a premarital agreement. A separate bank account and a separate checking account should be established for each person's separate property. And *after* marriage, establish a community account. Never mix the money in these accounts, because once money enters the community account it becomes the property of the community. Thus, if Uncle Harry dies and leaves you $100,000 and you use that money to buy a house for your family, it could become subject to division at the time of your divorce. If you put it in your separate account, it is yours.

Unfortunately, comments Price, Waterhouse's Peter Frank, even the hardheaded businessman is a romantic when it comes to marriage. "The executive gets into bad situations because he's a good businessman and he's creating assets," says Frank. "But the thing he doesn't do well is take good care of his own financial affairs. He's concerned not about property but about this person he's marrying." That is, he forgets that love and hate are intimately connected.

If divorce becomes inevitable, probably the best advice that anyone can get is: Don't get so involved in the rightness and wrongness of the issues that you can't reach a settlement that will be in your best long-run interest. Don't go to court just because your spouse's appraiser says the house is worth $400,000 and you know it's only worth $350,000. The difference can quickly vanish in legal fees. Divorces settled out of court are less costly, so think of what is happening as a negotiated business settlement. Finally, hire a good tax attorney the first year *after* your divorce to make sure you are taking the proper deductions. And watch out for traps. A New York woman went to court to force her ex-husband to pay her lawyer's fee. He paid it with a check made out to his ex-wife; it became taxable income to her. She protested, but it was too late.

Oscar Wilde said, "Remarriage is the triumph of hope over experience." Will more and more Americans come to agree with him by remaining unmarried and thus no longer enrich the lawyers, accountants and other divorce experts? Forget it. The rate of remarriage among divorced people is rising—even though the probability of subsequent divorce goes up with each remarriage. Anyhow, avoiding marriage is no guarantee that you can stay out of the courts. In 1976 Michelle Marvin won the right to sue actor Lee Marvin for half of the $1 million she claims he earned while they were living together in unwedded bliss. The Marvin case is now being tried, as are a number of other cases involving what used to be called "living in sin" and is now known as "Marvinizing." In California, a San Diego court recently went so far as to give the ex-lover of a lesbian temporary support pending a trial.

The lawyers and accountants have followed Americans into the bedroom, and there seems no way to get them out. ■

P-1420D

The outstanding 14 digit, 2 memory **printer/display.** Item counter, mark-up mark-down key, broad percentage function, reverse and non-add print key.

CP-1231D

12 digit, **printer/display** with 3 memory versatility. Performs four column totaling. Dual functioning item count, mark up key, delta percentage, shift key and sign change.

CP-1212D

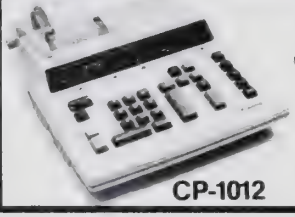
Advanced 12 digit **printer/display** with automatic or selective accumulation. Mark up and delta percentage keys, two-key rollover and buffered keyboard for quick operation.

CP-1200

The perfect 12 digit **printer** with touch of adding machine to work with large numbers. Features include Grand Total key, buffered keyboard with two-key rollover.

CD-1210

A versatile 12 digit, 1 memory **display** calculator. Features include mark up key, delta percentage key, percentage add-on and discount key.



CP-1012

Reliable, economical, 10 digit, 1 memory **printer.** Features quieter, faster Canon Magnetic Printer, line-of dashes selector key to separate your calculations, fixed or floating decimals.

Calculators have come a long way in a short time.

They've gotten smaller. More sophisticated. More economical. And more reliable.

And since the beginning, Canon has been a leader in the calculator revolution.

In 1964, we introduced the world's first 10 key desktop calculator. Since then a continuous research and development program has enabled us to hold our position as a leader in the calculator industry. And with our improved calculators, in reliability as well.

Representing this development has been a line of advanced printing calculators that combine advanced electronic technology with simple adding machine-like keyboard.

Our display calculators have large, easy-to-read displays, fatigue-free keyboards, and are unique in their class for reliability. And our line of printer/display calculators is the perfect combination of digital display convenience and tape printout precision.

Through the years Canon has continually expanded its technological and manufacturing capability at its Costa Mesa, California plant to meet the growing needs of the American consumer. And is producing the most advanced calculators—display, printe and printer/display—at this modern produc tion complex.

Research. Features. Reliability. Value. Now all from one reliable calculator source...Canon.

Call your local Canon dealer about the full line of more than 20 Canon commercia calculators.

Get it from a reliable source. Canon.

CHECK BELOW FOR THE NEAREST CANON DEALER.

ALASKA

Anchorage The Arctic Office Machine Co. 907 277-3527
Fairbanks Bower's Office Products, Inc. 907 479-6264

ARIZONA

Casa Grande Baker Office Supply 602 836-7425
Flagstaff Walsh Bros. Office Equipment 602 526-2818
Glendale Walsh Bros. Office Equipment 602 931-4313
Lake Havasu Parks Business Equipment 602 855-8081
Phoenix Walsh Bros. Office Equipment 602 244-9721
Prescott Seitz Business Equipment 602 445-6292
Tucson Walsh Bros. Office Equipment 602 623-5446

CALIFORNIA

Angels Camp Calaveras Office Supply 209 736-2240
Artesia Artesia Calculator Service 213 860-2439
Barstow Barstow Stationers 714 256-2161
Beverly Hills Business Equipment Center 213 272-0697
Bishop Bishop Typewriter Company 714 873-5773
Burney Hughes Print. & Office Supply 916 335-4596
Canyon Country Commercial Office Suppliers 805 252-6622
El Centro Crossland Office Supplies 714 352-4645
Fresno Roy's Office Equipment Center 209 485-0751
Grand Terrace P.E.C., Ltd. 714 825-6821
Indio Indio Cash Register 714 347-1500
Inglewood Quality Business Machine Co. 213 671-0075
Lancaster Desert Office Equipment 805 942-8466
Lompoc Stateside Office Supply 805 736-1231
Long Beach California Calculator Co. 213 422-1291
Los Angeles Angelus Typewriter Company 213 385-7433
Los Angeles Astro Office Products 213 487-3410
Los Angeles Business Machines Unlimited 213 559-7840
Los Angeles Cassidy, Cence & Marshall 213 627-5491
Los Angeles Westfail Office Equipment 213 385-0021
Merced Davis Typewriter Company 209 723-2929
Modesto L. M. Morris Company 209 529-3610
Mountain View Business Equipment Company 415 969-2666
Napa Allied Business Systems 415 444-6383
Oakland Allied Business Systems 415 444-6383
Pasadena Business Machines & Equip. Co. 213 796-5311
Pomona Cook-Arthur, Inc. 714 629-7630
Redding Cascade Office Machines 916 241-7921
Sacramento Central Office Equipment 916 447-4853
Sacramento Golden State Business Systems 916 441-2917
Salinas Dunn's Office Equipment 408 424-4861
San Diego Cash Lewis Company 714 582-2055
San Diego Pacific Data Systems 714 292-4741
San Diego Remco Business Products, Inc. 714 571-1737
San Francisco Business Equipment Company 415 392-1005
San Jose B. E. Downes & Associates 408 996-1271
San Luis Obispo Dick's Office Machines 805 543-7651
Santa Barbara Ayaya Business Equipment Co. 805 682-2338
Santa Rosa Sampson Typewriter Company 707 542-1838
Shafter Shafer Office Supply 805 746-3077
Stockton Turner Business Machines 209 951-7272
Wasco Shafer Office Supply 805 758-6441
Yreka Top Office Products 916 842-1750
Yuba City Mid Valley Office Machines 916 673-7896

COLORADO

Boulder Western Office Supply 303 442-4707
Colorado Springs Louden Office Machines 303 473-1118
Cortez Patterson Office Equipment 303 565-3363
Craig Tip Top Type Shop 303 672-3144
Craig Courier Office Supply 303 824-6531
Denver Independent Service, Inc. 303 744-7071
Fort Collins Belcher Office Supply 303 221-3894
Greeley Bachman's, Inc. 303 352-7503
Greeley Nelson Office Supply 303 353-0246
LaJunta Gobin's 303 384-4761
Lamar Gobin's 303 336-4727
Loveland Belcher Office Supply 303 667-4121
Rocky Ford Gobin's 303 254-3055
Salida Mountain Mail 303 529-6691
Steamboat Springs Tip Top Type Shop 303 879-0225

HAWAII

Hilo Office Things, Inc. 808 935-5401
Honolulu Office Things, Inc. 808 524-0220
Kahului Office Things, Inc. 808 877-7331

IDAHO

Boise A-1 Business Machines 208 345-0054
Kellog Panhandle Office Supply 208 786-9101
Pocatello Intermountain Business Systems 208 233-3812
Twin Falls Snyder's Office Equipment 208 733-7075

NEVADA

Las Vegas Quality Business Equipment 702 386-0072
Reno Siri Business Machines 702 323-3079

NEW MEXICO

Alamogordo The Ink Well 505 437-7300
Albuquerque American Computing & Electronics 505 265-9535
Farmington Office Supply & Service Co. 505 325-5027
Gallup Gallup Blue Print 505 863-9396
Hobbs I Got It Business Machines 505 393-3676
Las Cruces Office Machines & Service 505 523-7406
Lovington The Office Center 505 396-3621
Portales The Office Center 505 356-4477
Roswell John Office Supply 505 622-1251
Santa Fe Southwest Business Systems 505 982-4224
Silver City Pete's Business Machines 505 538-9721

OREGON

Burns Burns Office & Art Supply 503 573-2231
Coos Bay Frank's Office Equipment 503 269-9383
Eugene Oregon Typewriter & Recorder 503 342-2463
Medford Valley Office Equipment 503 779-4000
Newport Kangiser Office Supply 503 265-5571
Portland Oregon Typewriter & Recorder 503 224-2141
Roseburg Roen's Office Equipment, Inc. 503 672-6768
Salem Oregon Typewriter & Recorder 503 364-3344
The Dalles Craig Office Supply 503 296-3969

UTAH

Moab Spencer's Printing & Stationery 801 259-5735
Ogden Intermountain Office Equipment 801 399-5826
Provo Lloyd's Typewriter Company 801 374-0725
Salt Lake City All Makes Typewriter Company 801 328-4941

WASHINGTON

Bellingham Blackburn Office Equipment 206 733-7660
Clarkston Hohman Business Machines, Inc. 509 758-8165
College Place Color Press 509 525-6030
Everett Alpine Office Equipment 206 252-4164
Longview Aroa Office Products 206 636-5924
Pasco Basin Typewriter Company 509 547-8896
Seattle Acme Office Machine Service Co. 206 633-3355
Spokane ABC Office Equipment Co. 509 489-4444
Tacoma Calculators Unlimited, Inc. 206 572-5678
Wenatchee Nelson Office Machines, Inc. 509 663-1649
Yakima Sig's Office Machines 509 248-6550

WYOMING

Cheyenne Frontier Office Supply 307 634-7311
Lander Marv's Office Equipment 307 332-9763
Sheridan Top Typewriter 307 672-3144

Where quality is the constant factor.

Canon® Electronic Calculators

Canon USA, Inc., 10 Nevada Drive, Lake Success, New York 11042
Canon USA, Inc., 140 Industrial Drive, Elmhurst, Illinois 60126
Canon USA, Inc., 123 Paularino Avenue East, Costa Mesa, California 92626

The world shipping market is in deep depression. And look who's buying the distressed merchandise!

The scrutable Chinese sea lords

By Paul Sturm

MAKE NO MISTAKE about it: World shipping is in as horrible a recession as the oldest hand can remember. And who's taking advantage of depressed shipping prices to buy in? Would you believe the Chinese, both communist and capitalist?

The trouble began in 1973 when oil price hikes led to a sharp falloff in international trade, curbing demand both for tankers and for other cargo carriers. But new vessels ordered during the boom years of the early Seventies kept gliding down the slipways, prolonging the shipping slump even after other sectors of the global economy had begun to recover. Experts at H.P. Drewry, London-based consultants, estimate that there is nearly a 20% overcapacity in dry bulk carriers and perhaps 30% in tankers, which comprise nearly half of all tonnage.

At the moment, only 1 tanker in 12 is idle, but that doesn't tell the whole story: Hundreds of ships are steaming slowly or carrying partial cargoes. Maritime freight rates are calculated under a system called Worldscale: A 250,000-ton tanker needs a charter at about 50 points Worldscale to cover operating expenses and capital costs. The market rose above that briefly late last year for two special reasons: heavy traffic before the OPEC price rise and a rush of vessels to load Iranian crude. Now rates are again just above 30, where they have hovered for nearly two years—barely enough to pay fuel and port charges, much less ot operating and capital costs.

Those figures, which also apply i lesser degree to liners and ore or g carriers, mean that many of the wor ships are operating at a loss. A few lu owners, of course, still have money-m ing long-term charters made during bo years. But as those end, renewals mus hammered out in today's depressed n ket. Even getting out isn't cheap: It ta about 15 Worldscale points to cover l up costs, so most operators minim their cash drain by staying active.

Some nations have fared far wo than others in the present crisis. Am the biggest losers have been old-l shipping companies in traditional cr trading areas like Scandinavia and U.K. Five years ago, for example, N way, Sweden and the U.K. accounted some 21% of the world's fleet; today t figure has dropped to 14%. In 1978 alo U.K. shipping lines such as P&O Cunard led a disposal effort that redu that country's tonnage by 10%.

As these comparatively high-cost erators were selling into a weak marl who was buying? Greek entreprene of course, traditionally wheel and dea used ships. But the major expanders h been a few savvy Hong Kong owners the economic planners in the Peop Republic of China.

What lures both groups are the incr ble bargains available during the shipp slump. Recently, for example, a fi year-old 250,000-ton tanker with a g 15 years of useful life could be bought as little as $8 million—*vs.* $50 millio build new today. Similar good deals be had for other types of vessels.

Hong Kong operators like Y.K. P C.Y. Tung and T.Y. Chao have so managed to blunt the impact of slump by having much of their tonn out on profitable long-term charter. Sc 1978, according to brokers Lamb Bros. Ltd., Hong Kong investors sp nearly $300 million on 74 second-ha vessels. Y.K. Pao's Worldwide Shipp is now the world's largest carrier, w 171 ships—more capacity than the cc bined Danish and Dutch fleets.

Meanwhile, buyers acting for ma land China have moved too. Over past two years, they have quietly bou $500 million worth of used tonna Heavy on commodity carriers instead tankers, the Chinese fleet is now half size of the U.S. merchant marine. Ma potential competitors worry lest Pek may soon try price-cutting in the b trades, much as the Soviets star recent liner-trade price wars to obt foreign exchange.

The current shipping crisis, of cou makes waves far beyond traditio maritime centers. Bankers are obviou affected: Total shipping debt approacl $50 billion, with U.S. lenders hold

A tanker's ups and downs

This 300,000-ton tanker is six years old, and the wild swings in its market value explain why shipping is such a risky business. New building cost was about $40 million, but buyers were paying 50% premiums during 1973's tanker boom. Since then, its market value has fallen fast—to perhaps $10 million now.

e 10% of it—a problem portfolio that early as large as their loans to real te investment trusts once were. Few ping borrowers are current in their ments today—though nearly half of maritime credits are backed by gov- nent guarantees.

Norway, for example, the govern- t's Guaranty Institute stands behind 0 million in loans to over a score of ers, including the once-high-flying nar Reksten group. That minimizes problems of London's Hambros k, now engaged in refinancing $100 ion worth of loans to Reksten. Simi- ail-out mechanisms exist elsewhere Europe. And in Japan, where union s prevent shipowners from laying off r crews, the government helped out nother way: Last summer it char- d 20 big tankers to float offshore fully ed as the nation's strategic petro- n reserve.

rewd people that they are, the Chi- have chosen this dismal moment to nd their holdings. It's the old wis- : Buy when everybody else wants In fact, many economists expect the er market, worst hit of all, to begin ing around by 1982, and rising tank- tes should lift other shipping rates g with them. If Hong Kong's capital- can scrape through by running cheap making their still profitable long- charters carry them until then, they have pulled off a coup that will per- ently change the balance of world ping. Peking, on the other hand, has et ready to carry its share of soon-to- n trade with the West.

ontrast this with what happened to Arabs, recent newcomers to world ping. Five years ago, when scheming to spend petrodollars became a major dle East pastime, nine Arab govern- ts launched Arab Maritime Petro- n Transport Co. with $100 million in t money and plans to up that quickly to illion. If the oil cartel could build a nterpart in tankers, the group rea- d, they could capture a slice of the oil stry's then huge profits from trans- ation. AMPT's early backers talked nsively of owning 20% of the world's er fleet and of forcing giants like on and Shell to charter from them.

MPT and other would-be Arab ship- moguls ran afoul of the law of supply demand. Their current tanker fleet of llion deadweight tons is less than 2% orld capacity, and one-third of their els are now idle. So far, the $350 ion that AMPT alone has spent on s had yielded operating losses of over million, enough to bankrupt less thy operators. And the current mar- value of AMPT's fleet, nearly all under years old, is only 40% of its cost—a r loss of another $200 million.

though they bought their tanker new at top-of-the-market prices, making their cost base among the industry's highest, the Arabs seem grimly determined to stay in shipping for the future. Besides AMPT, their governments have bankrolled United Arab Shipping Co., which aims to carry 40% of the Middle East's liner trade, and they are spending some $15 million a year on a network of maritime training schools. "A ship is one capital asset that's hard to nationalize," says a London broker. "That's appealing to rich sheikhs."

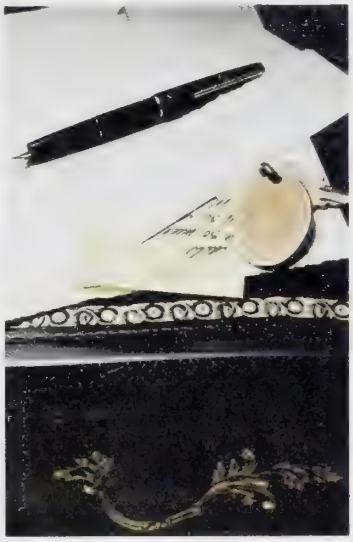
The Arabs are not the only newcomers determined to make a splash in world shipping. Developing countries like Brazil, India and South Korea own some of the world's fastest growing fleets. Brazil's tonnage, for example, is roughly equal to that of Sweden and Denmark—double its size five years ago. Like the Chinese, these countries benefit from low wage costs for crews, but as major commodity exporters they are getting political help too: Recent United Nations guidelines say that the trade they generate should be divided 40% each between ships of the exporting and importing countries, with only 20% left for the traditional middlemen like the Scandinavians and the British.

The Arabs are not the only newcomers to shipping. Developing countries like Brazil, India and South Korea own some of the world's fastest growing fleets.

No one can be sure how long the current shipping crisis will last; but its end is certain to be complicated, and perhaps delayed, by the political concern that has led to loan guarantees and subsidies for shipowners and shipyards alike. Consider a recent deal by U.K. shipbuilders with Poland: Out of a $230 million order for 24 bulk carriers and barges, the "gift" element (consisting of direct grants and low-cost financing) amounts to a price reduction of nearly 50%. That provides cheap new capacity for the Polish fleet—which is already taking business away from British shipping on many routes.

Ship operators and builders are trying on their own to limit capacity. The latest proposal, by an industrywide organization that also includes bankers, is for a massive scrap-and-build program that would offer extra-low credit terms for new ships, provided owners junked two tons of old capacity for every ton of new. The problem? Steel mills can't absorb that much incremental scrap, and it would cost $12 per ton—an average of some $2 million per tanker—just to underwrite demolition.

All in all, then, things couldn't look darker for world shipping. Which seems—no surprise—just the time for the Chinese to buy. ■



Everything to write home about.

Four Seasons Hotel TORONTO

Avenue Road at Yorkville

Call your Travel Agent or in New York State Toll-Free 800·462·1150 Elsewhere in Continental U.S. 800·828·1188

We Welcome American Express Cards

AMERICAN EXPRESS

Survival of the fittest.

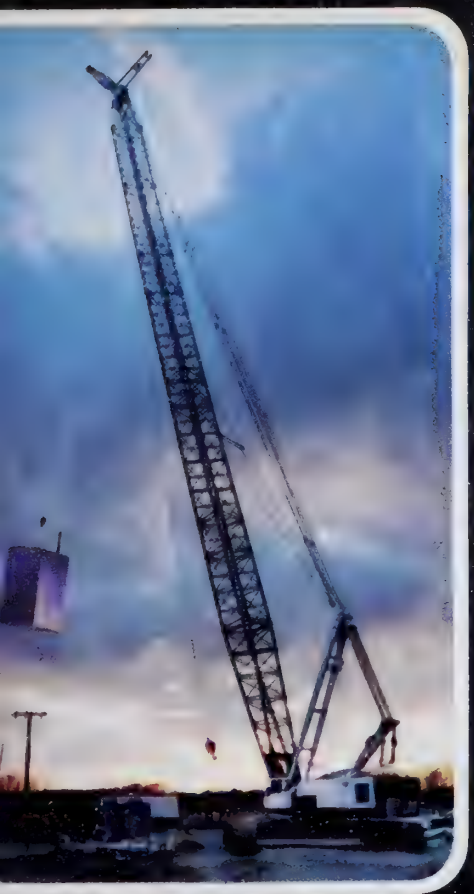
We build machinery for an unforgiving world. A world where freezing temperatures, or abrasive dust, or an unexpected gullywasher are no excuse for a wasted hour. A world where the stakes are high and you seldom get a second chance to meet a deadline.

So we build Clark products with rough conditions in mind. Then back them with a worldwide network of dealers who know how to keep them fit. With factory-trained mechanics. Healthy parts inventories. Everything it takes to keep our customers up and running.

In our world, only the fittest survive. That's why, year after year, the tough jobs come to Clark.

Clark Equipment Company, Buchanan, MI 49107.

Clark gets it done.



Clark crane delivers the world's largest ectric motor.

Blocks of frozen orange juice get a lift from Clark.

Clark lift truck works around the ock unloading ships.

Clark's Melroe Bobcat loader maneuvers a big load in tight quarters.

Underground marble mining—a dusty job for a Clark 125B loader.

The world's largest planetary axle gets a pre-installation checkup.

CLARK

LOVE LETTERS TO A CAR COMPANY?

You'd probably never dream of writing a love letter to the company that built your car. Yet at Volvo, we get them all the time.

Maybe because 9 out of 10 people who buy new Volvos are happy.

But some people who own Volvos aren't merely happy. They're absolutely ecstatic.

People like Orv Jacobson of Ocean Shores, Washington: "Now that it's at the 200,000 mile mark, I figure it has another 200,000 more miles in it...you just don't trade in members of your family."

Mary Howard of West Trenton, New Jersey: "This is the first time in my life that I still had a good car after it was paid for."

Or, The Reverend Ernest G. Olsen of Westfield, New Jersey who, after 225,000 trouble-free miles, says simply: "Love that Volvo."

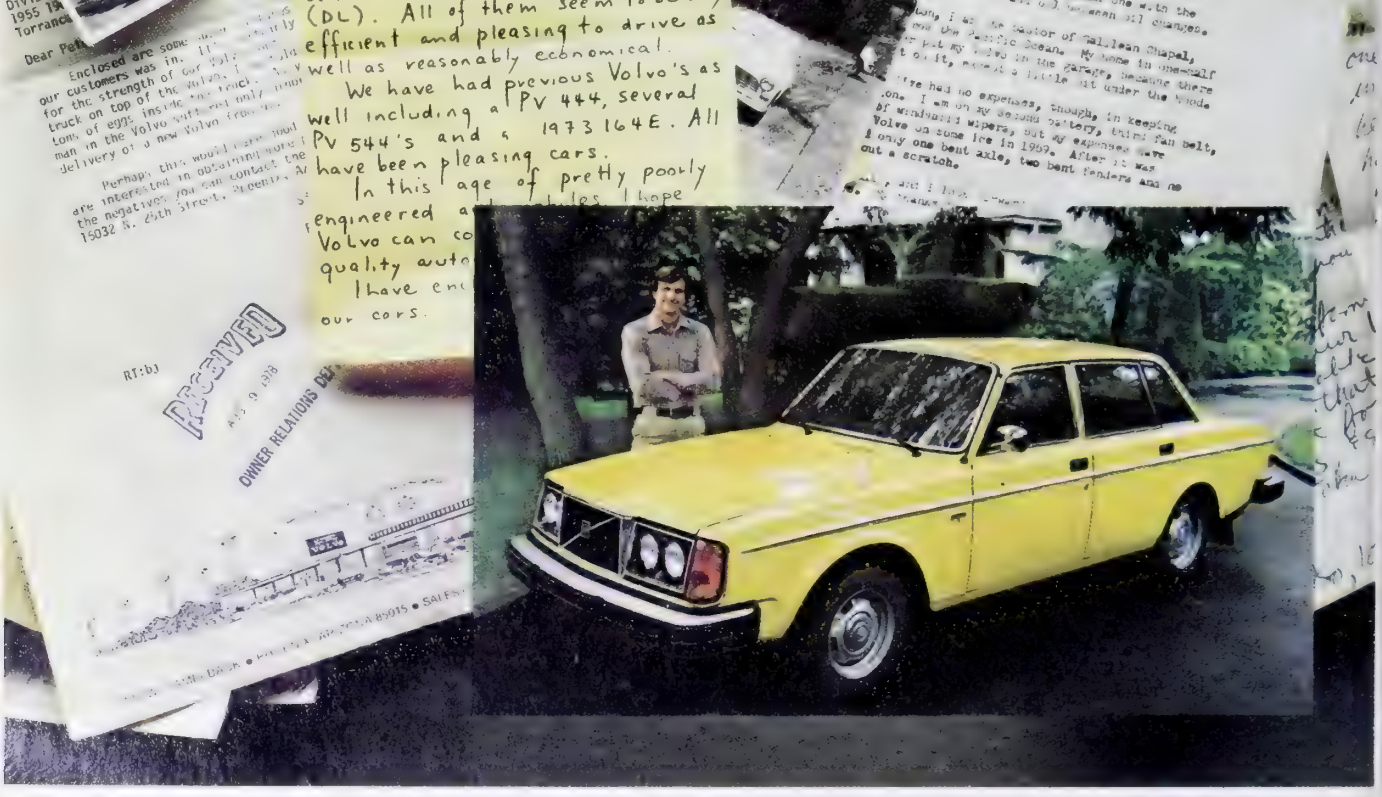
If you can't think of any love stories to write about your present car, maybe your next car should be a Volvo.

After all, why buy a car you might regret? When with a Volvo, you'll probably end up never having to say you're sorry.

VOLVO

A car you can believe in.

© 1979 VOLVO OF AMERICA CORPORATION
LEASING AVAILABLE



Mark Sturbs Box 66

In five months of constant rough driving I've been very pleased with how tough the Volvo's have been. Our current fleet consists of: 1964 122S Station wagon, 1966 122S automatic station wagon, 1967 122S Sedan and 1976 265 automatic, (DL). All of them seem to be very efficient and pleasing to drive as well as reasonably economical.

We have had previous Volvo's as well including a PV 444, several PV 544's and a 1973 164E. All have been pleasing cars.

In this age of pretty poorly engineered a... Volvo can co... quality auto... I have en... our cars.

August 15, 1976

RECEIVED

OWNER RELATIONS DEPT.

ew York, with Broadway booming, gets only 0% of the American theater's take. Aesthetically, too, its heart is in the heartland.

Enter struggling—the theater's remarkable revival

By Jefferson Grigsby and William Harris

ON A CLEAR, crisp day last October, a 20-foot van loaded with 4 tons of lights and scenery pulled into chikan, Alaska (pop.: 11,000), after eling 2,000 miles through Alaska and Canadian Yukon and spending a day a half at sea.

he next night, 3,084 miles from dway, actors Mitchell Edmonds and Tanny McDonald stepped on stage at the Ketchikan High School auditorium to present *The Fourposter.*

Edmonds and McDonald are professional actors, and Ketchikan was the last stop of the 1978 statewide tour of the Alaska Repertory Theatre. Barely two years old, it has a budget of $1.2 million and puts on nearly 80 performances a year. It operates two theaters and draws more than 40,000 in attendance, equivalent to 13% of the state's population.

a Repertory Theatre's production of The Fourposter
y Alaskans are seeing professional theater for the first time.

Live theater, which scholars trace back to ancient fertility rites, has had a new birth in the U.S. Admittedly, theater isn't big business in an economy where a single movie can gross $100 million. Last year total box-office take of the live theater was just $600 million. This was dwarfed by TV's $9 billion, the record industry's $3.3 billion or the movies' $2.8 billion. But the vitality is out of all proportion to the dollars involved.

This will not be the theater's first comeback. It has often been pronounced dead. Oliver Cromwell closed the English theaters, which had attracted mass audiences; he thought them immoral and frivolous. The movies, with more expansive range and 10- and 25-cent admissions, virtually killed theater as mass entertainment in the U.S.; television supposedly delivered the coup de grace.

What is behind the current comeback no one quite knows. It almost certainly has something to do with today's yearning for flesh-and-blood in an age of electronic-everything. Twice as many new plays were produced in 1978 as in 1969, and the U.S. government estimates that one out of every ten adults in the country attended a live performance last year. The U.S. now boasts approximately 1,500 professional theaters.

Broadway itself, in the doldrums since the late Sixties, attracted 9.6 million patrons last season and had a record box-office gross of $113.4 million. It's running 30% ahead of that pace so far this year. But the 39 theaters between 41st and 53rd streets on Manhattan's West Side known as "Broadway" are no longer the font of live dramatic art in America. In fact, New York City accounts for only about 20% of the American theater's audience. Now Broadway is as much taker as giver. The growing non-Broadway theater has become a farm system for the whole entertainment industry. Of the 29 plays currently running on Broadway, 12 began somewhere else, including *Da* and *Ain't Misbehavin'*, 1978 Tony Award winners for best play and best musical. *Annie* came out of a converted opera house in East Haddam, Conn. *Grease*, now the fourth longest-running play in Broadway history, started as an amateur production in a Chicago basement.

The Honolulu Theatre for Youth mixes classical repertory like *Hamlet* and *Faust* with original plays fashioned out of Hawaiian native legends. The Roadside Theater in Lexington, Ky. turns rural folklore into plays. The San Francisco Mime Troupe has been mixing political satire with borscht-belt schtick in the parks of San Francisco for almost 20 years. There's a feminist theater in Omaha. On New York's Lower East Side, the New Federal Theatre puts on black, Hispanic and Jewish plays, all free.

Out in Sinclair Lewis country, the 16-year-old Guthrie Theater brings first-

class touring repertory to a huge area of the country between the Rocky Mountains and Chicago, and grosses $60,000 a week in its 1,441-seat main auditorium in Minneapolis. Its audience is right out of the TV generation—average age: 30. In San Francisco, the American Conservatory Theatre operates on a $5 million annual budget and draws more than 300,000 annually. In Los Angeles, the Mark Taper Forum operates two theaters and recently bought an old Hollywood nightclub to convert to two more.

In Washington, D.C., the Arena Stage, one of the first of the new regional companies, was the only resident professional theater in the nation's capital when it opened in 1950. Now it operates two theaters and a cabaret and faces vigorous competition from several other theaters including the $70 million John F. Kennedy Center for the Performing Arts.

In New York, Joseph Papp's New York Shakespeare Festival has become a $30 million theatrical miniconglomerate, and Papp is now the biggest producer in America—an "heir" to the magic names of Ziegfeld and Shubert. In the Shakespeare Festival's Public Theater headquarters in lower Manhattan, as many as four plays a night are presented, often free of charge—while uptown on Broadway, Papp's superhit, *A Chorus Line*, brings in the money at up to $24 a ticket to support the whole thing.

Along with the renaissance have come campaigns to save historic theater buildings from the wrecker's ball or the indignity of pornographic movies or cheap strip shows. Gene A. Chesley, a University of California professor and professional theater designer, estimates that at least 35 old theaters have been or are being restored. The cost can be steep; in Kansas City, Mrs. Joan Dillon, wife of Butler Manufacturing Co. Chairman George C. Dillon, and a group of historic-theater buffs have raised nearly $2 million of the $3 million cost of restoring the 79-year-old Folly Theater. Others: the 108-year-old Wilmington, Del. Grand Opera House; Chicago's Auditorium Theater; and East Haddam, Conn.'s century-old Goodspeed Opera House.

The theater is a crazy business, though. It is highly labor-intensive, yet you can see a performance in one of New York City's hundreds of Off Off Broadway theaters for less than a cinema ticket costs. How is this possible? In large part because of subsidies. The National Endowment for the Arts came up with $6.3 million last year; several state and local governments also chipped in, as did various foundations and private or corporate donors. In all, subsidies provided about a third of the non-Broadway theater's operating funds.

But, putting Broadway aside, the biggest subsidy comes from the theater people themselves, who frequently provide

American Conservatory Theatre's Executive Producer James B. McKenzie

Resident theater—healthy but hard up

There are 65 large resident regional theaters in the U.S.; almost every city of over 750,000 population now has one. Usually located in decaying downtown areas, these theaters add to the local cultural life; they also often serve to revive their aging neighborhoods by drawing educated and well-heeled people to them, particularly in the evening.

Perhaps the most elaborate of the resident theaters is the American Conservatory Theatre in downtown San Francisco. This theater had a budget of $450,000, when it was started in Pittsburgh 15 years ago; its budget is now over $5 million. Over 75% is earned income, mostly from ticket sales—the prices range from $3.50 to $11. The $1.5 million or so in unearned income was provided equally by government funding and private contributions.

San Francisco is unusual in that it levies a special tax on hotels—a tourist tax—which is divided up among the city's cultural enterprises. The tax last year provided $200,000 for ACT, second only to the $295,000 from the National Endowment for the Arts. The tax makes sense: ACT is itself a major tourist attraction and a real service to the local tourist business. Yet another organization, the private California Association for ACT, raised $450,000 last year to help ACT put on 20 productions.

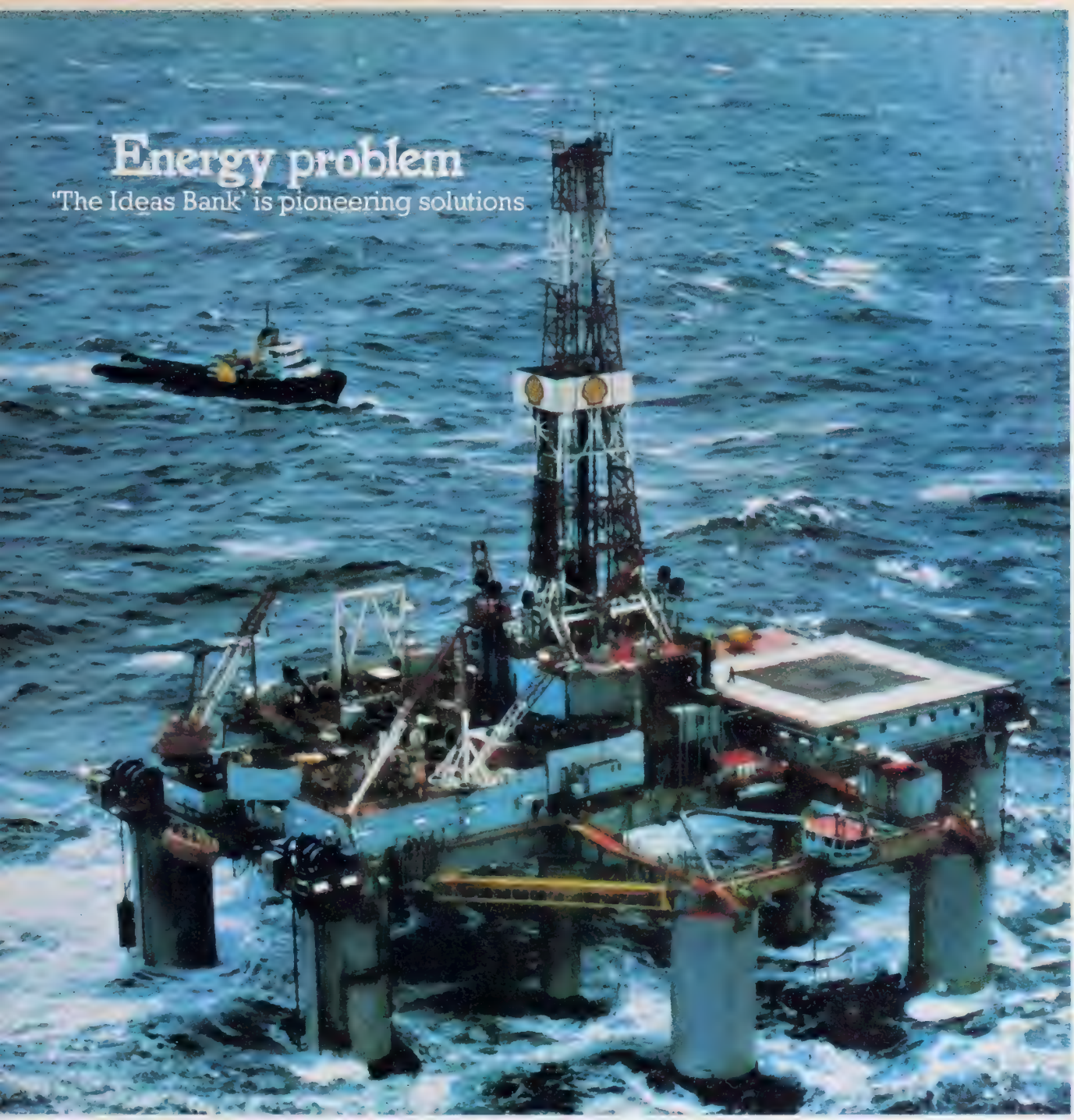
ACT has three major theater spaces: a 1,400-seat theater that houses a revolving repertory of nine plays, a 640-seat theater that last season mounted six plays and an experimental 49-seat house that last season staged five productions. On the main stage plays cost an average of $200,000; each runs for 22 to 34 performances. Half the theater's 40-member acting company received a full 44 weeks of employment. The average salary: $275 per week.

Thus, thanks to ACT, San Francisco can support a small full-time population of professional actors; they needn't all emigrate to New York or Los Angeles. ACT spent 51% of its $5 million on salaries.

The Trinity Square Repertory Co in Providence, R.I. is typical of the more modest resident theater in the U.S. Last season's budget was $956,000, and the theater ended its fiscal year with a deficit of $60,000. The largest portion of resident theaters operate within budgets of $600,000 to $1.1 million and end up with deficits.

Trinity Square operates two theaters, with 500 and 300 seats, respectively. Ticket prices range from $5 to $8. Last season the box office supplied over 50% of the operating budget for ten plays and 333 performances.

Trinity's three largest angels were the federal and state governments ($234,000), private foundations ($128,000) and individual contributors ($69,000). Administrator G. David Black admits the theater is lagging in community support—less than 7% of Trinity's budget. Providence, are you listening? **—William Harris**



There are no easy answers to the worldwide energy problem. But one fact is obvious: any long-term solution will require massive and imaginative investment.

Canadian Imperial Bank of Commerce – over $38 billion (Canadian) strong – has been involved in worldwide energy development for years. And we are stepping up our involvement.

We participated in the formation of the International Energy Bank, whose shareholders and associates have combined assets of over $200 billion. This bank's purpose is to finance energy development worldwide, beginning with the North Sea. It's a sound idea. But it's only one of many which we are considering.

We have evaluated energy proposals ranging from nuclear power plants to hydro-electric complexes, from Norway to the Near East. As 'The Ideas Bank,' good ideas are our stock in trade. So if you have an idea in the energy business, call your nearest Canadian Imperial Bank of Commerce office.

CANADIAN IMPERIAL
BANK OF COMMERCE

Head Office – Commerce Court, Toronto M5L 1A2, Canada New York Agency 22 William St., N.Y. 10005 • (212) 825-7000
Over 1,700 branches in Canada, branches or banking offices in major business centres worldwide

their services either for free or for not much more than a token wage. This is almost unheard of in an era when members of almost every other profession—including doctors and teachers—are pushing for every penny they can get. Star Tammy Grimes, who commands a substantial five-figure salary on Broadway, recently worked Off Off Broadway in *Molly* for $35 a week.

Grimes is no anomaly.

Nancy Haffner is a 29-year-old actress who lives in New York year-round on the income derived from appearing in television commercials. You've probably seen her pushing Pampers or Kentucky Fried Chicken. Last year Haffner earned $12,000 in TV commercials from what amounted to one week's work.

During the rest of the year, Haffner knocks on endless doors, auditioning for the innumerable Off Off Broadway productions. The most she's ever been paid for her stage work is $50 a week.

"To be in the theater is a gift from the devil," says Academy Award-winning actress Estelle Parsons. "You have to keep doing it because it's in your blood." Parsons spends four to six weeks each year working in television or films, and devotes the rest of her time to the stage. Currently directing an Off Off Broadway production of *Antony and Cleopatra,* she will receive $150 for four weeks of rehearsals, four weeks of performances and the planning of the production, which began last November. She's doing it simply because she wants to.

Parsons tries to earn $35,000 a year to support her two children. She can make at least 70% of that in those four to six weeks set aside for TV work. She says: "I plan what I want to do and take other jobs to make up the difference."

Like nearly everyone, stage actors have a union, Actors' Equity Association. Its wage scale is byzantine in its intricacies. The Broadway minimum is now $355 per week. Off Broadway minimums are determined by seating capacity. An actor performing in a 150-seat theater makes $138.58, while the same actor in the same play in a 250-seat house earns $170.56. There is a similar tiered structure for regional theaters, though the pay is related to the theater's potential box-office gross. The minimum ranges from $202.30 to $257.

That's *when* the actor works. The average earnings of Equity members in New York last year was under $8,000. Hardly a living wage. Those that can't supplement stage earnings with TV or film work are often part-time waiters and waitresses (now you know why so many attractive young people wait on tables in Greenwich Village restaurants).

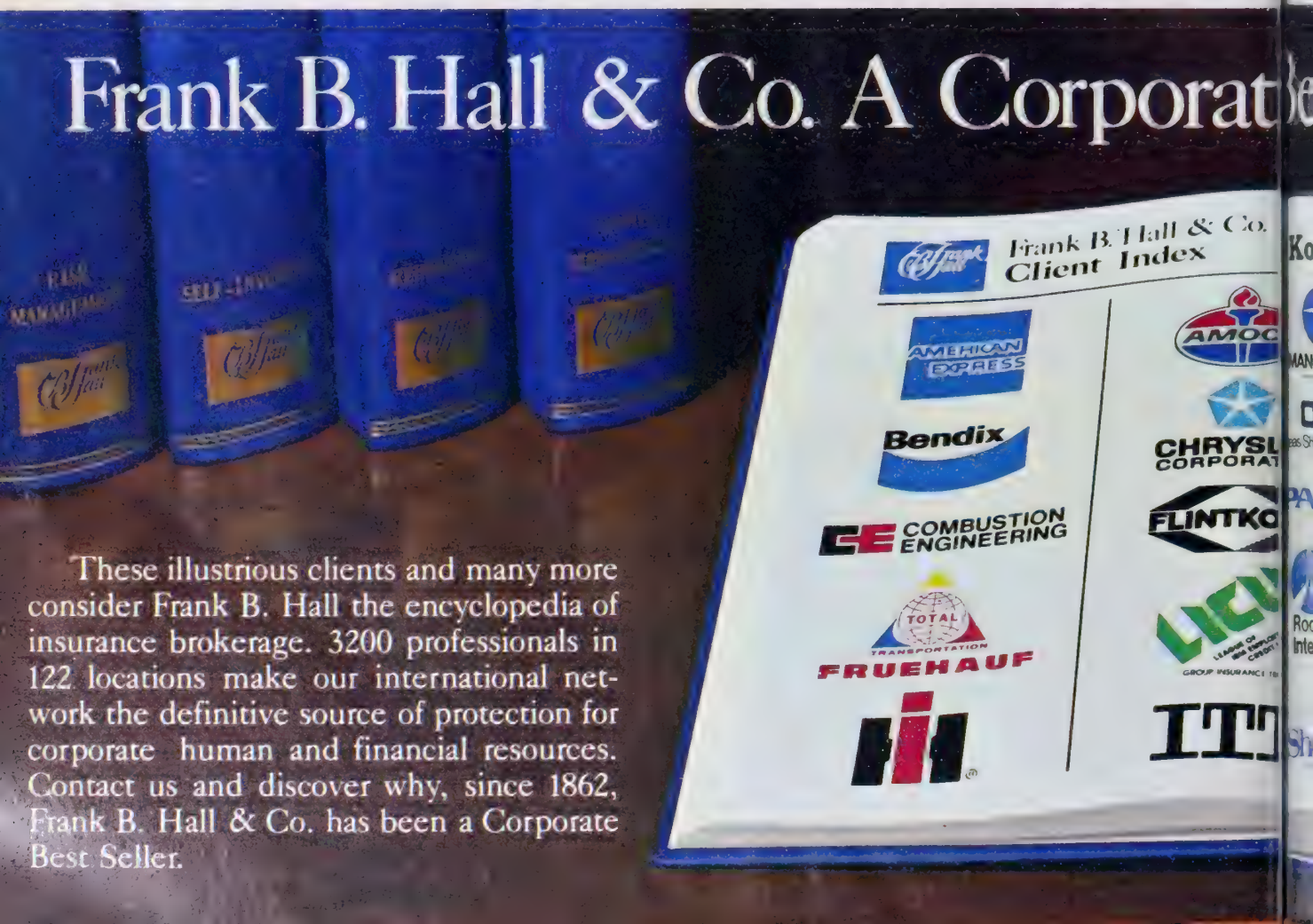
In an age when a drink at a fancy bar costs $2 and up and a moderately priced meal for two goes for $40, non-Broadway theater, with the average top ticket ing for $8, is one of the last bargains

Why, then, is Broadway so relati expensive—up to $25 for a ticket musical? In part because it occupies pensive real estate and indulges in ex sive advertising; also because it is scene of considerable trade union fe erbedding. Broadway—as opposed to regional and Off Broadway theater unionized down to the janitors.

Take the stagehands, the people change the scenery, run the lights,

The biggest subsidy com from theater people who j quently provide their servi free or for a token wage.

Their minimum hourly rate is $1 (which includes a built-in 7% vacat increment). There is a second fee st ture for performances, $42.48 per sh For the typical 2½-hour show, comes to $17 per hour. Union reg tions require that at least four stageha be employed—others are added depe ing on the technical demands. For musicals an average of 16 stagehands backstage. *Annie* has over 30. The m mum the lowliest stagehand earns week is $364. A department head, h ever, earns $475. Add it up and *Ann*


Frank B. Hall & Co. A Corporat
Frank B. Hall & Co.
Client Index
AMERICAN EXPRESS
Bendix
COMBUSTION ENGINEERING
TOTAL
FRUEHAUF
FLINTKO
These illustrious clients and many more consider Frank B. Hall the encyclopedia of insurance brokerage. 3200 professionals in 122 locations make our international network the definitive source of protection for corporate human and financial resources. Contact us and discover why, since 1862, Frank B. Hall & Co. has been a Corporate Best Seller.

kly stagehand bill alone comes to $12,000—the equivalent of the pro- s from 615 $19.50 seats.

en there are the musicians. They a minimum $425 a week (not in- ng a 6% vacation pay increment). he real stranglehold Local 802 of the rican Federation of Musicians has roadway is the "complement" sys- The union determines how many cians are required for a theater. Six es, for instance, have a complement musicians. Even if a musical's or- ration requires fewer than the com- ent, the producer must pay the total nated. Although the extra musi- are technically understudies, they alled "walkers" because the only they perform involves walking to ank with their paychecks.

th its heavy overhead structure, lway is a risky investment—now expensive than ever. It costs be- n $250,000 and $375,000 to mount a ight" play and up to $2 million for a cal; both figures have doubled in the ecade. Two out of every three musi- nd three out of every four plays are cial failures; and Robert J. Anderson Mathtech, the Princeton, N.J. re- h company, has calculated that on the *successes,* the average Broad- "angel" stands only to recoup his ey. That's why New York State's al theatrical securities law requires Broadway prospectuses to warn: "Investors should be prepared for the possibility of total loss."

Those prospectuses make interesting reading. Most Broadway shows are financed by limited partnerships. The producers, or general partners, put up no money and assume most of the liability. The angels, or limited partners, put up all the money and split any profits with the general partners. Theoretically, a $20,000 investment in a $1 million musical will get you 1% of the profits.

But there are often no profits to split, even on "successful" shows. To begin, the general partners often take 1% or 2% of the box-office gross (as well as a weekly charge of $400 to $500 for "office services"). The theater takes 25% to 30% for rent. Directors, authors and composers get 2% to 5% royalties, depending on their stature. A star gets 10% of the gross—Jack Lemmon recently broke that barrier by taking 12½% of *Tribute.*

Little wonder, then, that *The Shadow Box,* which ran on Broadway for nine months in 1977, won the Pulitzer Prize and the Tony Award, and never showed a profit.

In fact, the wonder is that those backers keep coming back for more—particularly on the track record of some producers. Take Barry M. Brown, Fritz Holt and Gladys Rackmill, the general partners of *Platinum,* starring Alexis Smith. Brown and Holt had produced five plays previously, only one of which—*Gypsy*—made money for their limited partners. Rackmill's producing record was worse.

Nevertheless, Brown, Holt and Rackmill raised $1.25 million (including $325,000 from Paramount Pictures Corp.). *Platinum* opened to negative reviews, ran for 45 performances and closed, losing every penny.

Thus, just as the players subsidize much of the noncommercial theater, Broadway is heavily subsidized by investors. Why do many continue to play a losing game? Partly for the long-shot chance of backing a really big hit (*Same Time, Next Year*'s backers have so far received $7 for every $1 they've put up, and it's still coming), but more likely for the sheer thrill of participating in the theater. Here is one of the last businesses where the main coin is glamour, not gold. In fact, there are usually more investors than there is product.

With the movie companies, however, theatrical investing makes sense. In the last five years, in addition to the $25 million or so the major film companies have spent for rights to Broadway shows, they've put about $3 million into direct backing of untested plays. Twentieth Century-Fox Film Corp. invested more than $1 million in *The Wiz* on Broadway when its future was far from assured, and

Off Off economics

Three-fourths of the Off Off Broadway theaters and their regional equivalents nationwide operate on budgets of under $50,000 a year. Typical is the WPA Theatre, located in a run-down office building on lower Fifth Avenue. Last year the WPA presented six productions in its 98-seat house at a cost of $36,000. Of that, 47% came from sales of $3 tickets. The rest was made up from government grants, a beverage concession and rental fees (theaters often sublet their spaces during the summer months to visiting troupes). Private contributions—money generated through fundraising efforts aimed at corporations and individuals—were the bulk of unearned income.

The WPA spent $13,000 just to maintain its space—electric bills, rent, telephone, insurance, etc. Actors were paid $50 for the eight weeks of rehearsal and performance time, or about $1 a day. The theater administrators drew no salary.

One of WPA's productions, *Gorey Stories,* was moved to Broadway this past fall on the strength of its reviews. The WPA's contract with the Broadway producer entitled it to ½% of the gross. Alas, *Gorey Stories* closed on its opening night. What the WPA had mounted for $3,000 cost about 100 times that on Broadway.

The Lion Theatre is relatively affluent among Off Off Broadway theaters, operating last year with a budget of $80,000. Less than half that money was earned income, a good portion of which—$24,000—came from the theater's share of the profits of *Vanities,* the Off Broadway hit which Lion originally coproduced. The theater filled only 33% of its seats, which managing director Larry Carpenter attributes mainly to the theater's bad location (42nd Street and Tenth Avenue), and bad weather coupled with a broken boiler (which meant there was no heat).

Like the WPA, the Lion last year spent much of its money on overhead—21%. About a quarter of the total was spent on artists' salaries: Actors at Lion are paid $50 per week during both rehearsal and performance periods. Three people, the producing director, the managing director and the administrative assistant, are salaried, earning $125 a week. Try living in New York on $125 a week before taxes. All have other jobs to supplement their incomes.

—William Harris

made a nice profit on it—even without picking up the film rights. Columbia Pictures Industries, Inc. has $500,000 in *Dancin'* and owns a small piece of *I Love My Wife.* Paramount isn't dissuaded by its $325,000 loss on *Platinum.* "We still think it has movie potential, and we're going to negotiate for the movie rights," says Paramount Vice President Francis O'Brien.

Warner Communications Inc. has formed a joint venture, Warner/Regency Productions, to put on at least three new Broadway plays this spring.

Universal Pictures is the sole investor and sole producer of *The Best Little Whorehouse in Texas,* a musical based on a *Playboy* magazine story about a famed Texas bordello. If Universal gets back its $800,000 investment, says Vice President Stevie Phillips, it could lead to a full-fledged theatrical division "to commission and produce plays." Already, Universal has followed up *Whorehouse* by investing $625,000—or half the capitalization—in a musical version of *I Remember Mama,* which is scheduled to open on Broadway in April.

Hits like *Same Time, Next Year,* however, are few and far between, and the best of the theater is often too sophisticated, too special to have movie potential. The hard fact is that there is no source of big money for the regional theater, and that's where most of the action is.

"It took all of us a while," says Iris F. Siff, managing director of Houston's Alley Theatre, "but we have finally lost the illusion that the resident professional theater could make it on its own. The opera and symphony folks knew that all along. We're just learning it." If you can't make it in moneyed Houston, you probably can't make it anywhere.

Moreover, the foundation and government support that fostered resident theater's spectacular growth has not kept pace. The Ford Foundation put about $3.2 million a year into theater grants in the late Sixties and early Seventies; since 1973 the figure has averaged about three-quarters of that. The National Endowment will distribute about $7.3 million of its $140 million in grants to nonprofit theaters this year; but in real dollars, that amounts to less than the $5.2 million the NEA gave in 1975.

In the current taxpayer climate, additional government help seems unlikely. And although private and corporate contributions have increased, they haven't filled the gap. "We're surrounded by big corporations up here but the amount they give is minuscule," grumbles M. Edgar Rosenblum, executive director of the Long Wharf Theatre in New Haven, Conn., another major regional theater.

What's the answer? "The fact is," says William P. Wingate, the Harvard-M.B.A. general manager of the Mark Taper, "we're either going to have to raise most of the money ourselves in the future find ways to earn it."

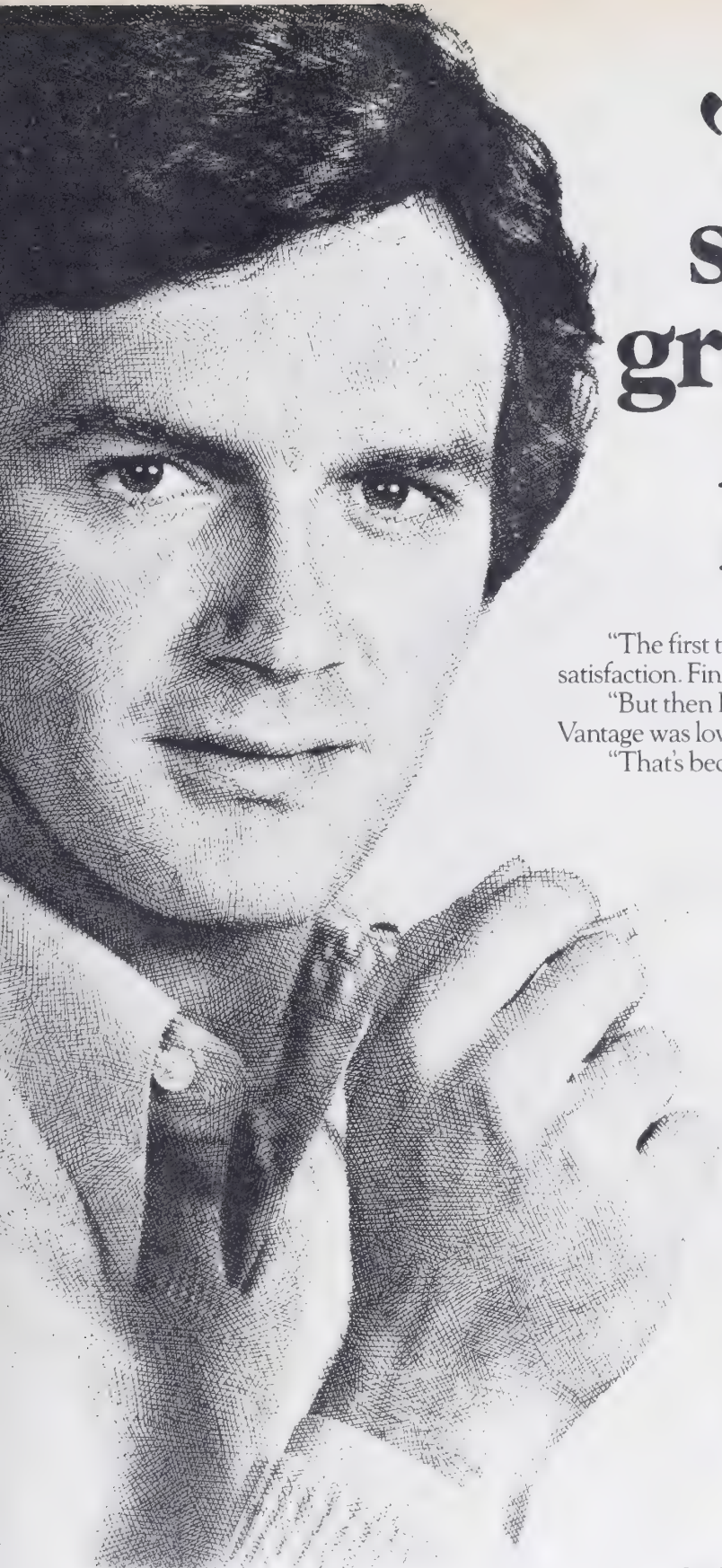
How? One way is by getting b some money from Broadway in ret for the product on which Broadway creasingly depends. The tiny Manhat Theatre Club, which created *Ain't Mis havin',* will receive at least $100,000, about 15% of its $715,000 operating b get, from Broadway royalties this y But others will get much less. Buffal Studio Arena Theatre will collect roug $50,000 from its three exports, *Platinu Semmelweiss* and *Crucifer of Blood;* t doesn't go far to cover a $600,000 defi The Actors Studio, the high temple the profession for a generation of U actors, staged the first "showcase" p duction of *The Best Little Whorehouse Texas* in 1977 but has received less th its $10,000 production costs.

Actress Alison Fraser
Her "normal" job supports her caree

Papp's Shakespeare Festival so far h had the most success; when *A Chorus L* moved to Broadway, the Shakespe Festival retained its ownership, reapi $22 million a year in revenues. This h caused a problem of another kind: Pa gives *A Chorus Line* about a year and a h more, and he knows there's no turni back. "We can't get smaller without stroying the whole operation," he sa The answer seems clear, although Pa doesn't like to say so: He may have find more hits in the future. Either th or convince the government fundi agencies that "we're at least as imp tant as garbage collection."

That the theater has made the com back it has with limited financial a therefore, is largely a tribute to the de cation and ambition of the men a women who write, act, direct and sta the shows. The danger is that the com back will founder on inflation and t indifference of potential money peop Surely a nation with a gross natio product of more than $2 trillion can fi some extra cash to keep this healt aspect of popular culture from languis ing and dying again.■

© 1979 R. J. REYNOLDS TOBACCO CO.



'I didn't sacrifice great flavor to get low tar.'

"The first thing I expect from a cigarette is flavor. And satisfaction. Finding that in a low-tar smoke wasn't easy.

"But then I tried Vantage. Frankly, I didn't even know Vantage was low in tar. Not until I looked at the numbers.

"That's because the taste was so remarkable it stood up to anything I'd ever smoked.

"For me, switching to Vantage was an easy move to make. I didn't have to sacrifice a thing."

Peter Accetta
New York City, New York

Vantage

Regular, Menthol and Vantage 100's.

FILTER 100's: 10 mg. "tar", 0.8 mg. nicotine, FILTER, MENTHOL: 1 mg. "tar", 0.8 mg. nicotine, av. per cigarette, FTC Report MAY '78.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

City Investing has impressive assets, but it has its money problems.

The best-laid plans . . .

City Investing's Scharffenberger
Away from the office collecting honey from his bees.

CITY INVESTING CO., as it exists day, is a child of the 1960s, a cd glomerate-conglomerate, the c ation of a Litton Industries alumn George T. Scharffenberger. It is in ins ance, magazine printing, air-conditic ing, metal fabricating, real estate, s ings and loans, motels and mob homes. Recently, it added vending a fast food and is about to buy its way ir printed forms. Scharffenberger, the m who put it together and holds it togeth takes as his inspiration not Alfred Slo the guru of management techniques, Benjamin Graham, the guru of asset-c ented investing. City Investing owns less than $5 billion of assets pyramid on about $470 million in common stoc holders' equity. Its revenues this y should hit $5 billion—nearly $220 common share. The leverage is terrific

Does this kind of conglomerate ma sense? The results so far are mixed Scharffenberger, 59, is determined make it work. For some time he has be talking of early retirement and now sa he plans to bow out in May. No questi he has his hands full dealing both wi the problems that afflict City and t potential that lies ahead of it.

A major problem is the stock mark In the late Sixties City Investing co mon sold at close to $40 a share. Sin then fully diluted earnings have go from $1.13 a share to $3.06 last year a may hit $3.35 this year; dividends ha increased from 15 cents a share to But the stock languishes at 14½.

Tall, trim and tanned by winter skiir Scharffenberger, despite having lived the West Coast's casual environment 18 years, still comes on as a sober-suit eastern banker descended from a lo line of English gentlemen. (The oil pai ing "The Strawberry Girl" in his offi anteroom is by Sir Joshua Reynolds, maternal ancestor.)

Given an opportunity, Scharffenberg turns philosophical, saying: "Compani are 100-year creatures, that's their n ture. This is a story where you people the media, after you've written all t good things about a company, say 'a only time will tell.' "

It is still too early to write it. Even the late Sixties Scharffenberger public announced his intention of bowing o early from City. His hobby is beekeepi and for years Scharffenberger has ke four hives at his 17-acre property beautiful Palos Verdes Peninsula ju south of Los Angeles, anticipating t day when he could have more time f leisure. Scharffenberger even anticipat his exit as early as 1972 by appointir two joint presidents at City. Explain Scharffenberger at the time: "A ma who is involved in the building of a co pany tends to defend himself after while rather than to innovate."

Now Scharffenberger would like h

"As admirable as the Riviera's roadability may be, the car's most outstanding aspect is its interior environment."

"...it is an excellent example of the capability of American design and technology..."

"...the Riviera S is well within the tradition that made the original Riviera a classic."

"The Riviera S offers luxury with taste, and performance with comfort."

"Throughout, the Riviera exhibited a high degree of workmanship and attention to detail."

"The turbo provides a smooth, progressive application of power that belies the engine's small size."

Motor Trend Magazine calls the Buick Riviera S The Car of the Year.

(We think you'll come to the same conclusion.)

BUICK

After all, life is to enjoy.

GM

successor named at a board of directors meeting in May. "I still hope to bow out completely," he says, "but in some of the discussions there's the question of whether I shouldn't really stay on." What people don't understand, Scharffenberger continues, "is that I can hardly afford to stop earning a living." Translated: I don't want to leave until my stock sells at a more respectable price. Five times earnings is not good enough.

Scharffenberger is not what you would call a poor man. His personal real estate holdings are estimated to be worth several millions, and when he's 65 his pension will be at least $300,000 annually. But Scharffenberger has six children and perhaps is not as wealthy as he expected. With his wife he owns some 400,000 shares of City's stock. He puts his money where his mouth is.

Besides the problems common to all conglomerates, City has some special ones of its own. This is a complex tale. It begins back in May 1977 when Scharffenberger in effect turned Florida land developer General Development into a holding company, GDV, Inc., with City Investing as its major stockholder (59%) and himself as chairman. The idea, said Scharffenberger, was to ease diversification and to lessen General Development's dependence on community development and housing. Its real estate is immensely valuable but environmental awareness and accounting rule changes have reduced its appeal.

In the first half of 1978 GDV bought two of City's subsidiaries—Wood Bros. Homes, a Denver-based builder of single-family houses, and Guerdon Industries, a Louisville, Ky.-headquartered mobile-home manufacturer. The deals increased, not lessened, GDV's dependence on housing and place responsibility directly on GDV for servicing the debt of its new subsidiaries. To some outsiders Wood's acquisition in exchange for a promissory note looked like a clever way to eventually upstream cash from GDV's coffers to City. A group of GDV's minority stockholders have gone to court, claiming the deal is unfair.

Unperturbed, Scharffenberger and GDV went on making other deals. Also in 1978 GDV invested $15.1 million to buy over 8% in each of two large equipment manufacturers, Lamson & Sessions Co. and Chicago Pneumatic Tool Co. One hope was that somebody else would eventually make a takeover offer so GDV could make a fat capital gain. Instead, with the stock market down GDV can claim only a small profit on its investment. But, in the best Ben Graham tradition, it acquired an ownership in solid assets.

Then GDV outbid Liggett Group for Servomation Corp., a food service and vending company, and in December City outbid Daylin, Inc. for UARCO Inc., a printed-forms manufacturer, 2 of some 200 takeover candidates studied for GDV. To get UARCO, City is paying 73% above book and almost twice its market value of only a few weeks earlier. UARCO ranks a poor second in its industry, but Scharffenberger sees faster growth ahead plus some undervalued assets. "We will use our Home Insurance group to buy UARCO," he explains, "because we have used all of GDV's credit and don't want to unbalance its neatly balanced cash flow."

Buying Servomation is costing GDV $200 million, virtually all in cash. To finance the deal, GDV initially borrowed heavily from its New York bankers with its loans guaranteed by City. Twice last fall it tried refinancing the loans with public offerings, but in a bad market both issues were withdrawn.

The banks are charging GDV almost 14% for their loans. GDV will pay them about $28 million this year. As a hold company GDV's only income sources the dividends and federal income payments it collects from subsidiaries last year's first half GDV reported a ne tive cash flow, but the situation is proving. "There has been a remarka change of circumstances at Wood Guerdon," Scharffenberger says.

Last month he admitted to FORBES fore the Servomation deal went throu that he was "like a man walking eggs." One slip and he could have had Securities & Exchange Commiss around his neck, not to mention the F eral Reserve Board, which again is c ing a bleak eye on loans m solely to finance takeovers.

"I have to be careful ab this because if I say too mu the SEC will say, 'Call off shareholders' meeting [to c firm the Servomation takeo and redo the prospectus,'" said at the time. Then purs his lips: "We are not having a problem with finance. Unfor nately you are going to have wait for the benefit of hindsi to let us show you how it will happen."

Although he cannot say Scharffenberger may be look to Servomation to solve his nancial problems. Servomati has a plentiful cash positi ($27 million), few long-term ligations ($20 million) and conservative approach (in past) to dividends. According City Investing Treasurer Jo Quirk, after GDV acquired rest of Servomation last mon it would probably raise Ser mation's dividend payout r from the current 30% to 50 So where Servomation in fis 1978 paid $5.5 million in di dends, it could pay at least million this year.

In a period of inflation there much to be said for buying sets with borrowed money. E borrowing has its hazards.

No question about it, the sets are there. GDV owns over 100,0 acres of valuable undeveloped Flori property. Home Insurance is a solid op ation and the savings and loan throws a nice piece of cash every year. T printing operation is first-rate. Nearly of City's subsidiaries are profitable. Th $5 billion or so worth of possibly und valued assets—some $140 a fully dilut share—is not to be sneezed at.

"Now," says Scharffenberger, "we moving from the formative period where we should achieve good balan sheet ratios. We will be going into period of debt reduction." But the peri just ahead is going to be busy. ■

Scharffenberger at work

Stung by the stock market while shuffling his assets.

Now that our new blast furnace is on stream at Sparrows Point, what's to stop us from building more?

The price tag. This new blast furnace at our Sparrows Point Plant in Maryland cost more than $200 million. That's one of the largest single capital investments Bethlehem has ever made. We'd like to build other modern steelmaking facilities, but our resources are limited.

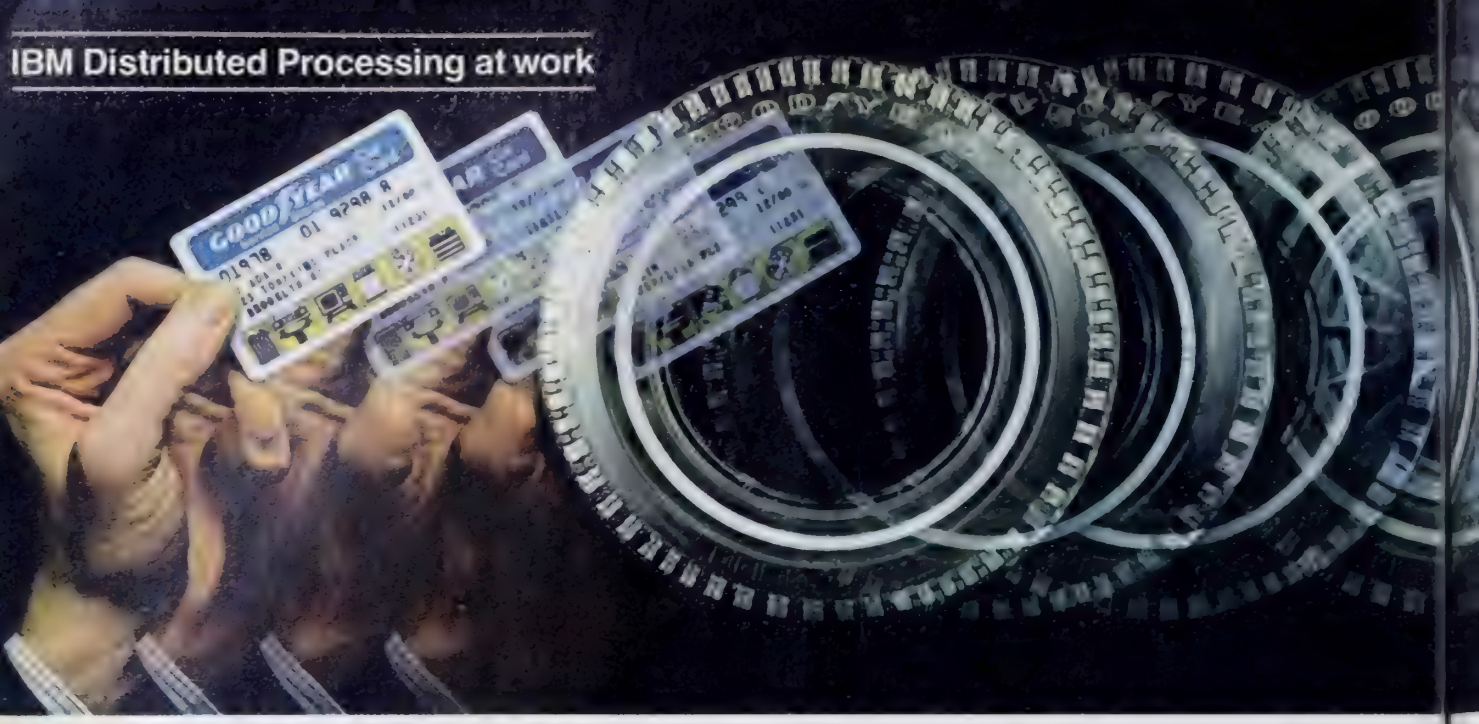
In recent years, the steel industry has found it difficult to generate sufficient funds to invest in all the newer and more productive facilities desired. Steel imports dumped into our country, soaring costs, and heavy environmental demands have all taken their toll on profits.

Solutions to these and other problems will help us generate additional funds for capital investment... help us adopt new technology wherever practical to cut our costs and improve our profitability. Bethlehem will continue to seek those solutions.

Bethlehem BETHLEHEM STEEL

Bethlehem, PA 18016

IBM Distributed Processing at work



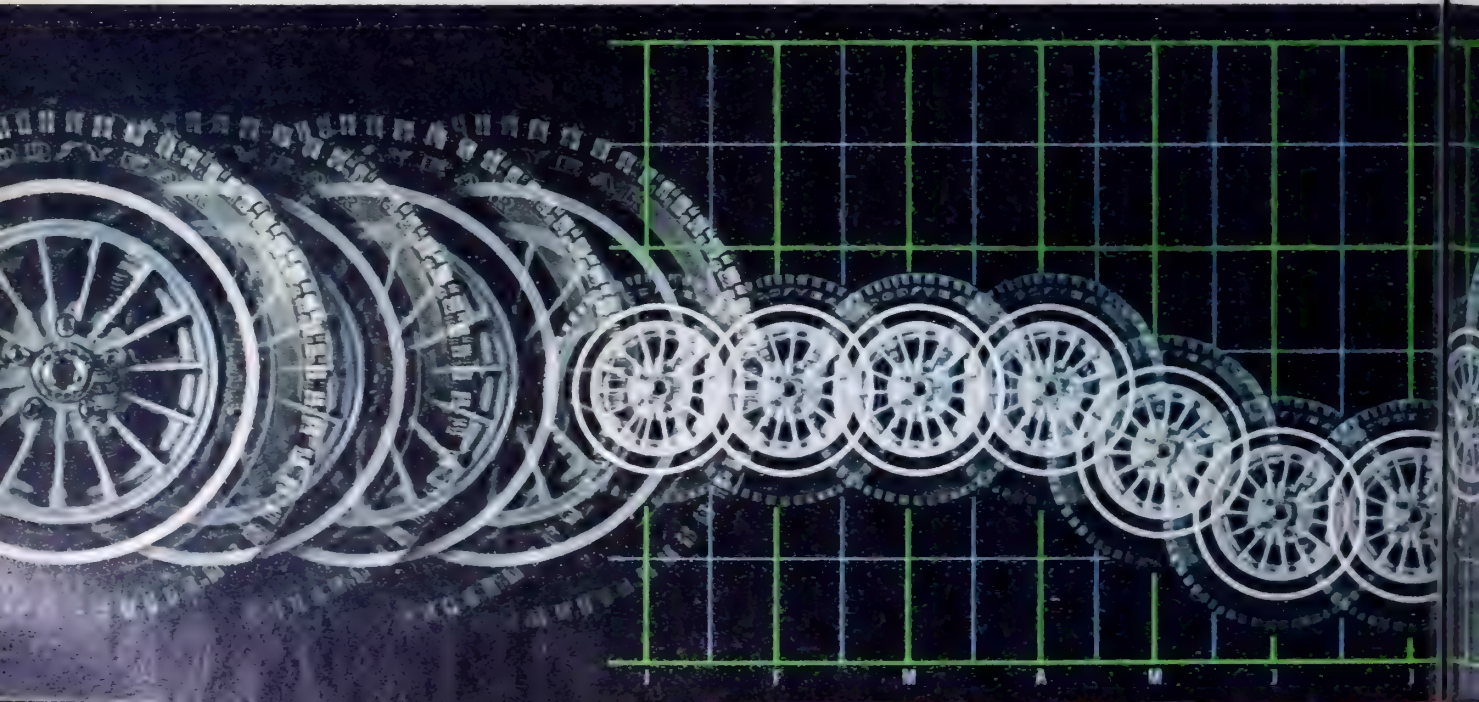
At Goodyear, IBM helps speed service

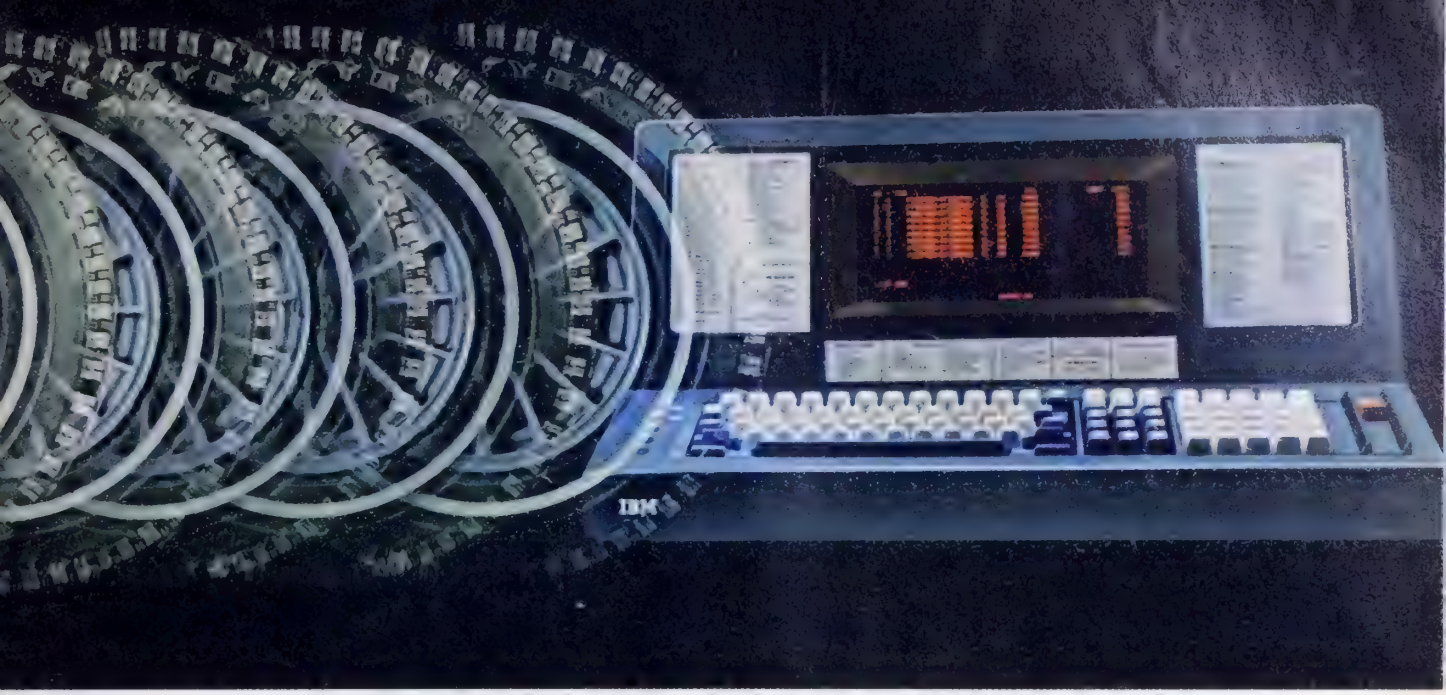
Goodyear service stores stock a diverse array of types, sizes and styles of tires. But an IBM computer terminal can tell a salesperson exactly what's available and the latest price. Whether the sale is credit or cash, customers drive away in less time. And that's just the beginning of how one of the largest IBM distributed processing networks is helping The Goodyear Tire & Rubber Company.

Already operational in approximately 500 of 1,600 Goodyear retail outlets, the system helps managers run their stores more effectively by providing an instant display of sales, inventory, dollar value and profit margin. And since the system also records on a sing receipt all customer payments sent in by mail, som five million cash receipt forms will be eliminated in o year.

Store terminals are online to IBM 3790 Processo that serve a selected area. These are linked Goodyear's headquarters in Akron, Ohio, where a ce tral IBM system processes store data from all over t country and prepares reports for top management.

Says Robert E. Mercer, president of Goodyea "At the retail level, our distributed processing syste helps increase sales, smooth operations, control cos





stomers, information to management.

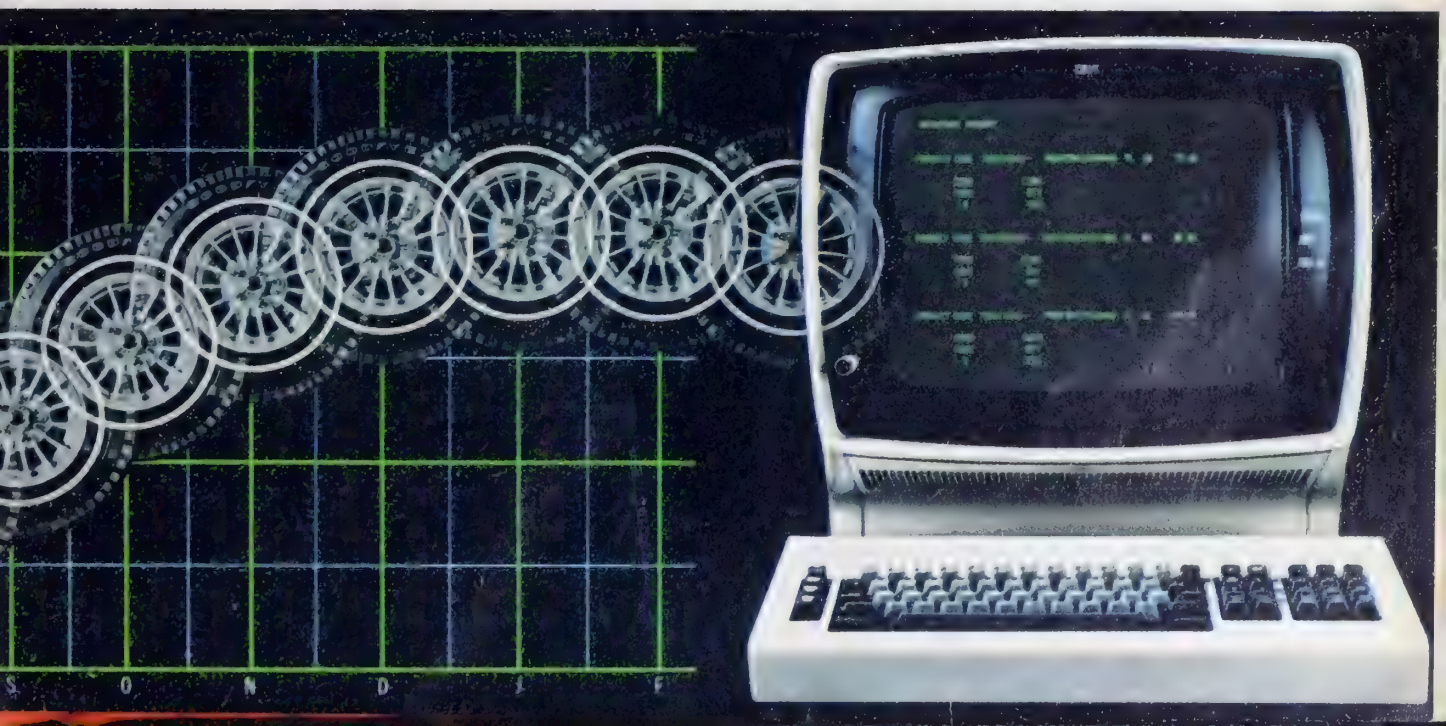
d improve profitability. At headquarters, fresh, com-ete information pinpoints strengths or weaknesses d supports more responsive management. And the mpany-wide communications network we're building ll put decisions into effect faster."

The IBM Data Processing Division can help you t together a distributed processing solution. With stems – like the IBM 3790 and the new IBM 8100 Information System – flexible enough to operate the way your organization does. A network design that can grow with your needs. And the education, service and support you expect from a leader.

Call your IBM Data Processing Division office for more information. Or write, IBM Data Processing Division, Dept. 83F, 1133 Westchester Avenue, White Plains, N.Y. 10604.

The way we put it all together is what sets us apart.

IBM
Data Processing Division

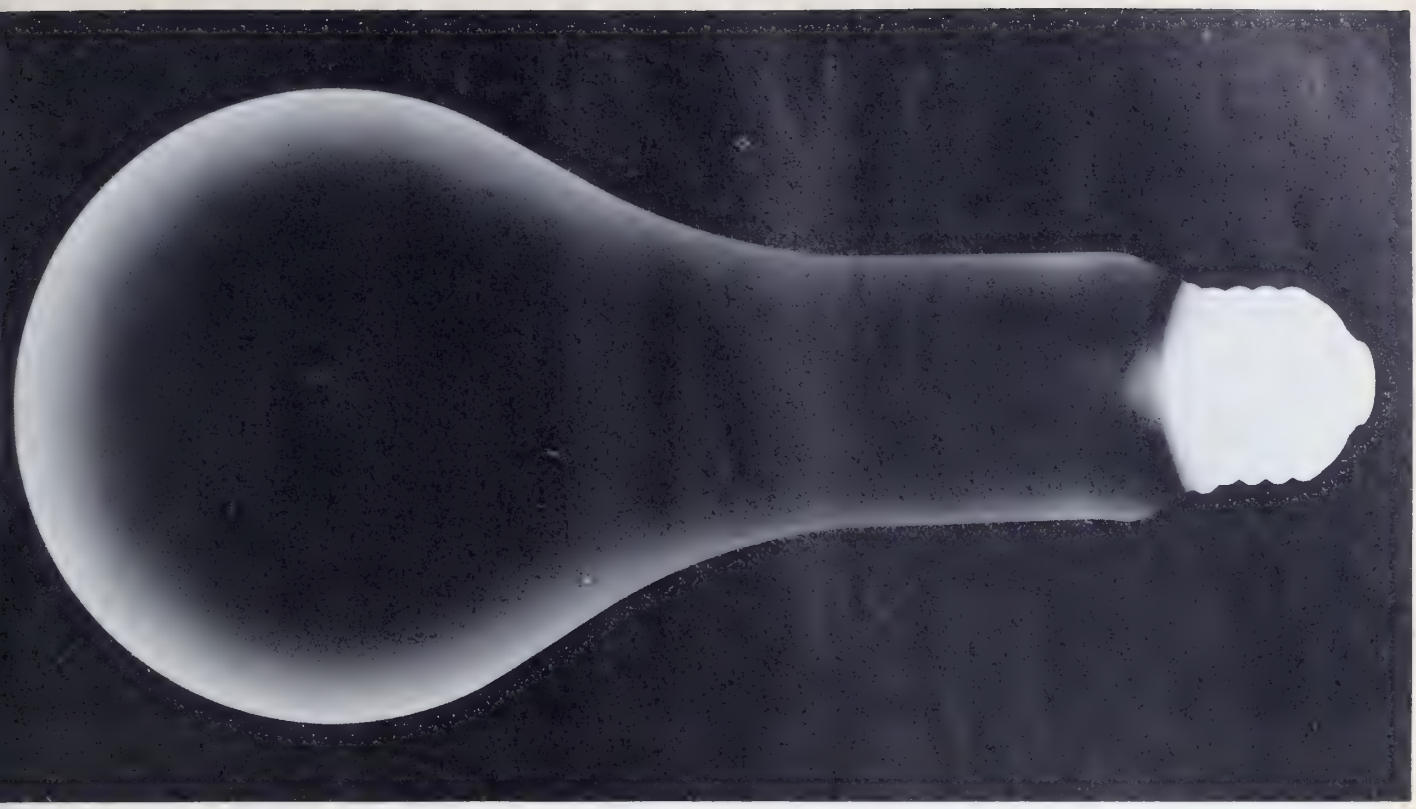


Money Mushrooms

It will happen faster if you're constantly aware of how much you have, in order to make the most of it. For Cash Management customers, our nationwide automated systems provide the fastest possible data—on today's deposits and yesterday's multibank business. You'll have total control to deploy every dollar of your available funds because you'll know exactly where every dollar is. Such prestigious companies as A&P and Walter Kidde use our systems. Call us. We'll cultivate a mutually profitable relationship. Marshall Soura, Vice President, Cash Management, in Philadelphia (215) 585-2935.

GIRARD BANK

PHILADELPHIA • LONDON • MEXICO CITY • SINGAPORE • ZURICH • HONG KONG • GIRARD INTERNATIONAL BANK, NEW YORK



Four leading utility executives explain why the power situation is even worse than most of us think it is.

Voices in the wilderness, or what not to do until the wolf arrives

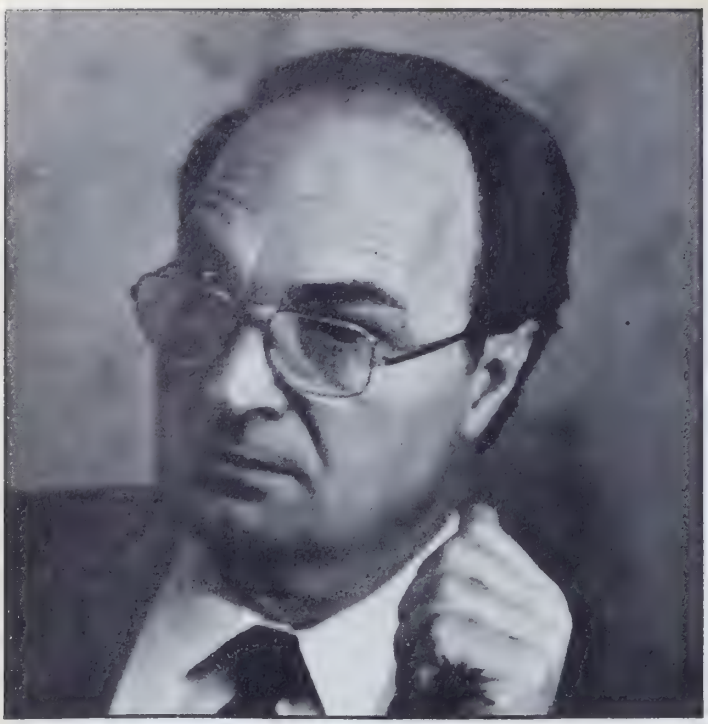
By Jean A. Briggs

ONCE UPON A TIME electric utility stocks were considered splendid investments, especially for people who needed income and safety. If the companies did their jobs well, the theory went, their regulators, the state public service commissions, would allow them to make a fair return. Not spectacular, mind you, but practically risk free. Furthermore, the companies could be expected to grow right along with the population and the economy.

But today the air is blue with clamor against these useful businesses. It comes from virtually every self-appointed champion of the environment, the consumer and the "poor." New York City's popular weekly *Village Voice* routinely treats muggers and rapists more tenderly than the men who run the city's Consolidated Edison. And not just in New York; even in conservative South Carolina the utilities are favorite whipping boys for politicians. When FORBES reported that the highly efficient Duke Power Co.—whose rates are 22% below the national average—had a relatively high ratio of net income to gross revenues, the company was accused by a group of state legislators of bilking its customers. That is something like saying that General Motors is swindling auto buyers because it makes more money than Chrysler, but the charge was made and the local press solemnly reported it.

Not surprisingly, investors shun utility stocks. Today they routinely yield 9% and as high as 11%, not because earnings are high but because the stock prices are so low. Is it possible that all this bad publicity has beaten utility stocks to bargain levels? Or are things as bad as they seem? A small group of top utility executives* gathered recently in New York City and spoke frankly to FORBES about their problems and prospects. Some excerpts from the session:

**The executives: Peter J. McTague, president and chief executive officer of Green Mountain Power Corp., which serves much of Vermont; W.S. (Pete) White Jr., chairman of American Electric Power Co., which serves America's industrial middle—Michigan, Indiana, Ohio, West Virginia, Virginia, Kentucky and Tennessee; W.S. (Bill) Lee, president of Duke Power Co., which serves 1.2 million customers in North Carolina and South Carolina; and Dr. Matthew C. Cordaro, vice president for engineering of Long Island Lighting Co.*



American Electric Power's W.S. (Pete) White Jr.
"To look at the National Energy Act in isolation doesn't really tell you what the true energy policy of the country is. You have to look at it in relation to environmental controls and other matters. . . ."

Duke Power Co.'s W.S. (Bill) Lee
"It is tough to persuade the public that we should be allowed to put these interest charges in our rate base. The public is concerned not with the lights in 1988 but with the bill that came in last month."

FORBES: You people have been accused of not doing enough to encourage conservation of electricity. The recently passed National Energy Act calls on state regulators to consider low utility rates for off-peak hours. Why is it necessary for the governments to force this upon you?

McTague: We already have time-of-day rates now that are very effective. But we expect they will be superseded when we get more storage on our system. We are promoting use of small, room-size heat storage units so heat can be stored and then drawn out as needed. If we have control over when the load goes on, then time-of-day rates become obsolete.

Lee: Our state commission has considered time-of-day rates at our instigation. We have filed a proposed time-of-day rate schedule for a volunteer sample of our customers so that we can test the concept. Another sample of customers is on remote control. We remotely control their heating or their hot water loads and give them stored heat. The customer doesn't care whether his hot water heater has power at that moment or not so long as he has hot water. We would like to reheat his tankful at times of our choosing, assuring him that with reasonable use he won't run out. I think we should communicate with the customer and tell him what his status is. Put a red light in the kitchen, or something, to tell him whether the current is on or off. Our sample of 1,000 is costing us about $300 per customer. It's sort of like color television, though. If it catches on and it is determined to be the economic thing to do, unit costs will come down.

Cordaro: There are problems. The New York State Public Service Commission has been interested in time-of-day rates for a long time. We launched an experimental program but a court suit was brought by an association of large industrial customers claiming it is discriminatory. That's now been settled and we are going ahead with the program, but it was hung up for a long time.

White: There are distinct differences between systems. In our case, peak is from 7 a.m. to 11 p.m. because industries work late and work on different shifts. There is only an eight-hour off-peak period. So there are limits to what time-of-day pricing could achieve. We have been working with two firms to develop a central heat storage system, however. It would go in a home right alongside—or in place of—a furnace.

Lee: In Duke Power's case our summer peak and our winter peak are in balance so a heat storage system doesn't help that much. We have stressed very heavy insulation, limited glass areas, storm windows, weather stripping so that we form a heat storage device out of a structure that would be equally effective summer and winter. We're pushing very hard and are giving a 5% discount across the board in electric rates to customers who insulate according to our standards. We have a program with housing developers, too. It's really catching on.

You know, even without laws and regulations, utilities are motivated in this direction anyway. In the Sixties eve additional kilowatt-hour we sold lower the average cost to everyone. Now eve additional kilowatt-hour we sell rais the average cost to everyone. So we a interested in having the rate of growth lean as we can make it and still fuel t economy.

FORBES: So you people don't thi the Energy Act means all that much

White: To look at the National Ener Act in isolation doesn't really tell y what the true energy policy of the cou try is. You have to look at it in relation environmental controls and also in rel tion to those things that affect the mi ing industry. That tells you what ener policy is. We know that there's been ta about the need to burn coal rather th oil and gas, and yet all of the legislati that we've seen in the last several yea makes coal more difficult and more e pensive to mine and more difficult a expensive to burn. So, while the policy to encourage the use of coal, the la make it more difficult.

FORBES: Hasn't that situation i proved recently?

White: Not really. The plants that ha not been licensed thus far by the vario state agencies and now by the Enviro mental Protection Agency will cost least 40% more than they would ha prior to the new Clean Air Act amen ments. We are waiting for the final reg lations to come out. We're in the proce of trying to get a new coal-fired pla started in Kentucky. We don't yet kno how to design it.

en Mountain Power's Peter J. McTague
s not like going off the edge of a cliff. What will happen reliability will be affected. We will get more interrupns in service for longer periods of time. . . . We have [power] but we don't have it as reliably."

Long Island Lighting's Dr. Matthew C. Cordaro
"Sadly, policy issues and regulatory issues hold us back. There is almost an unlimited supply of energy within our technical grasp. There's no real reason why people, out in time, can't use as much energy as they're able to use."

IcTague: The whole Energy Act is dicated on what they call coal conver-n, really conversion to a solid fuel, l or nuclear. But the other acts that e been passed by Congress tend ongly to deter coal and nuclear. At the ne time the Energy Act outlawed oil. ere isn't anything left.

ORBES: What about natural gas? 't gas getting a big boost now?

IcTague: Well, the Energy Act says can't build gas plants. That's an abite prohibition.

ee: Here's the whipsaw: Convert coal nts to oil for air quality. Now convert m back to coal for fuel savings. And v, even more recently, let's burn some our surplus gas. But don't build any -fired plants.

ORBES: Your critics point out that have been forecasting electricity rtages for a long time now. Where they? Where are the blackouts l brownouts?

hite: You have to look at the economy a whole. Someone said recently that nomists should be the last people in world to cast stones about not being e to predict properly. We have to fore- our loads in light of what the nation-redictions are in terms of the econo- And if those turn out to be wrong, very likely that our load forecasts will wrong.

ordaro: Economic growth clearly has n less than forecast.

ORBES: In other words, doomsday s simply been postponed? Are you l forecasting shortages?

McTague: We could have them in three regions of the country by 1981.

FORBES: You mean the Midwest, the Southeast and the Plains area?

McTague: Yes.

Cordaro: The concern is not only with shortages but also with dependence on foreign oil, especially in the Northeast. If suddenly that supply is cut off or the cost goes up, we're in a bind. How do we generate electricity?

FORBES: So far, we've been talking about fuel. How about finance? Isn't that an equally big problem for you, what with high interest rates, lack of investor interest in your stocks *(see table, p. 74)* and the long lead time it takes to build a new plant?

Lee: Of course. All these things add greatly to the cost of construction, especially where we have to capitalize 10 or 12 years' interest on the cost of the project. It is tough to persuade the public that we should be allowed to put these interest charges in our rate base, so we have to capitalize them. The public is concerned not with the lights in 1988 but with the bill that came in last month.

White: A young commission attorney in one of our jurisdictions, in recommending a lower rate increase than we had asked, said, "This will provide for the customer's instant gratification and that's what America is all about."

McTague: What utilities would like to do, as any company would, is pass on all of their current expenses in current rates. One of their current expenses is the cost of money—the interest cost on the money they're putting into the plants under construction.

White: The way it usually comes out in the newspapers is that the company is asking the customers to pay for the new plant. In the past interest costs were added to the cost of the plant and depreciated over the life of the plant. This was not a problem because the amount that we were trying to finance in relationship to our total capital was relatively small. Now when we build a new plant, we know full well that the cost of that plant is equal to the whole cost of all the other property. We were able to complete plants—coal fired—in the late Sixties for $110 to $125 per kilowatt. The plant that we want to build in Kentucky will cost at least $900 per kilowatt if it comes in in 1985. That's why the burdens on utilities have increased so much.

FORBES: Some utilities are now tapping the municipal bond markets. Isn't Duke Power one of them?

Lee: Yes, in the days of tight money in 1974 we conceived the idea of having some of our municipal customers participate in the financing of that part of our generation that is equivalent to what they need for their own use. So we put together a proposal in October 1975. We design and build our own power plants; so we are in the engineering and construction business, you might say. So we have offered to sell them a plant partially completed if they continue to build the balance of it for their own account.

FORBES: Was yours the first company to do this?

Static numbers tell the story

Below, some telling figures for 12 of the nation's biggest utilities. Note their low profitability and low growth rates compared with the rest of American industry. Note, too, their high yields, low market prices and astronomical dividend payouts. For investors, the numbers are not unrelievedly grim; if utility stocks no longer promise healthy growth, they at least provide an alternative to bonds with, in some cases, a vestigial promise of *some* growth. For the utilities, though, the numbers are bleak; if low growth should have reduced their need for capital, the fact is, a combination of inflation plus low stock prices and minimal earnings plowback have more than offset it, complicating their problems in raising capital. —J.A.B.

Company	Current yield	12-month price range	Record high (year)	Latest 12-month earnings per share	5-year* average return on equity	5-year* average return on capital	5-year* average EPS growth	5-year avg† payout as % of net profit
Amer Elec Power	9.7%	24½–20¾	46⅝(1964)	$2.41	11.5%	6.1%	–0.6%	83%
Commonwealth Ed	9.9	28⅝–24⅝	58¾(1964)	3.30	10.6	6.0	0.1	83
Con Edison	10.1	25 –21¾	49¼(1965)	4.29	11.3	6.0	11.1	49
Consumers Power	10.0	25¼–20⅛	55 (1965)	2.98	10.3	5.3	0.3	85
Detroit Edison	10.4	16⅞–13⅜	38⅝(1965)	1.76	8.6	4.9	–2.7	91
Florida P&L	7.8	29⅜–23⅝	44⅛(1972)	4.36	12.2	6.3	6.6	56
Middle South Util	9.9	17⅜–14¼	29⅝(1967)	2.42	12.1	5.7	3.1	71
Pacific G&E	9.7	24⅞–21¾	40⅜(1965)	3.20	10.6	6.2	1.3	72
Phila Elec	10.7	19⅜–15	40½(1965)	1.87	9.3	5.4	–1.8	93
PSE&G	10.0	24⅝–20	43⅝(1965)	2.95	10.7	5.9	0.6	76
So Cal Edison	9.4	27 –22⅞	42⅞(1965)	3.52	11.3	6.5	7.0	61
Southern Co	10.6	17⅞–13	36⅛(1965)	1.38	10.4	5.0	–1.4	89
Nonutility comparisons	5.2†	——	——	——	14.0	10.4	12.7	38

*As calculated by FORBES Annual Report on American Industry, Jan. 8.
†Value Line

Lee: Several have done this; some, I think, out of desperation.

McTague: Offering parts of plants to municipalities is standard in New England. They are automatically offered a piece of any plant that's built, and they decide how much they want of it. Nowadays, we tend to encourage them to build the plant, and we buy it from them.

FORBES: Are there any technological changes in sight that might relieve the bind the industry is in?

McTague: Oh, sure. We're looking at fuel cells, for example, and we have wind and solar power experiments going. But those are 21st century alternatives—if they are alternatives—and that's not when the problem is going to hit. It's going to hit much sooner than that. When you stop to consider how many wind turbines you need to replace one nuclear plant you can't build, you realize that's not feasible. We'd have to fill every ridgeline in the state of Vermont in order to get the equivalent of one nuclear plant. Vermont is not about to do that, even if it were technically feasible. So wind power may have a place, but it's not a replacement.

FORBES: Okay, what about nuclear power? Are any more plants going to be started in this country? Or will the waste issue stop them as it seems to have done in California?

Lee: I'm convinced that technical solutions do exist for the waste problem. Cumulatively in this country today 99% of our total nuclear wastes resulted from the military program. We as a society have to solve that problem with or without nuclear energy. Nuclear energy has contributed 1%, yet it gets the whole paintbrush. Waste is *not* the issue. Spent fuel transportation is not the issue. Whether or not we have nuclear plants is the issue. These are peripheral issues being used in an attempt to stop nuke.

Cordaro: Part of the problem is there are too many solutions to the waste issue. The government has to hear them all; they want to find the best, the optimum, and when there are several, that becomes a more difficult problem.

Lee: I am more confident in the long-term solution of the nuclear waste disposal problem than I am the coal-fired waste disposal problem.

White: Coal produces vast amounts of waste that have to be disposed of. It's really very large in volume compared with nuclear waste.

McTague: It's not really a technical issue. It's a philosophical issue, and to that there is no answer.

White: If we applied the same kind of safety regulations to transportation that are applied to energy I don't think any of us could get back to where we came from this morning. Unless we walked.

FORBES: This is not a very optimistic session. Assuming that things go on in this unsatisfactory way, what do you see ahead?

McTague: It's not like going off the edge of a cliff. What will happen is, reliability will be affected. We will get more interruptions in service for longer periods of time. It's not that all of a sudden you come up to the edge, you drop off and nobody has any power. We have it, but we don't have it as reliably. That situation would just get worse and worse. If it's recognized, there may still be time build oil plants but there won't be tim to do anything else.

White: It would be hard to build ne industrial plants, though, because util ties would be reluctant to take on ne loads. That means fewer jobs.

Lee: What will probably happen is tha about the time there is a discernib change in reliability, utilities will issu public notices that after a certain da they will take no new customers.

FORBES: Has this happened to som degree already?

White: I suspect that in certain energ intensive industries, such as aluminun it has. We have talked a lot about pote tial blackouts and brownouts. As soon the first one comes, the public servic commission will haul us in and sa "Well now, what can you do to stc this?" There are a number of things tha can be done—require production curtai ments and require commercial establisl ments to operate fewer hours. But th point is, the economy will be restraine

McTague: We have an industrial cu tomer that decided to put in gas turbin as a backup source of power because h was concerned about the reliability supply in the future.

Cordaro: There are many technical s lutions to the problem of energy. Sadl policy issues and regulatory issues hol us back. There is almost an unlimite supply of energy within our technic grasp. There's no real reason why peopl out in time, can't use as much energy a they're able to use. It's within our techn cal grasp to satisfy society's demands f energy. ■

Grumman's solar hot water system challenges the Fighting Irish.

Behold the Iona Prep varsity—the Fighting Irish of New Rochelle, N.Y. They play good, clean football, but they always come up very dirty.

After a long tradition of winning football, the Fighting Irish really got taken to the showers by an all-star team: the sun, and a Grumman Sunstream™ solar hot water system.

Sunstream traps the sun's energy in special roof-mounted collectors and uses it to supplement the existing hot water system. It works so well, it cleaned up on the entire Iona Prep squad...yet cut the cost of showering considerably.

Fact is, Sunstream can reduce an average family's water heating bill by as much as 50%. And save valuable energy in the bargain.

Sunstream. Developed with the space age experience that goes into everything we make.

From our aerospace systems, like the F-14 Tomcat fighter which has no equal.

To our diversity of products. Like our Pearson yachts. Data Systems. And our Dormavac system that extends storage life of perishable goods.

We're Grumman. We're technology, performance and reliability. Grumman Corporation, Dept. GCP, Bethpage, New York 11714.

GRUMMAN

The reliable source

phelps dodge
SEAMLESS COPPER WATER TUBE

It'll live another 100 years ...with Phelps Dodge copper.

Some buildings, such as this San Francisco house, are as good today as they were 100 years ago. Some building materials are even better.

Take copper. As a plumbing material, it's unbeatable. Under normal use, it won't clog, rust or corrode. It's not affected by extreme water temperatures. And it's safe—in case of fire, it won't give off toxic gases.

Phelps Dodge, America's second largest copper producer, knows a lot about the red metal. We mine an average of 600 million pounds of copper a year—close to 20% of U.S. production. And process about a billion pounds of copper a year into a wide range of useful products.

With all of copper's traditional advantages, it has even more to recommend it today:

- Copper is one of the few major natural resources in which our country is truly self-sufficient.
- Copper is recyclable. Over 40% of America's red metal needs are met through recycling copper scrap. And copper's salvage value has doubled over the past 25 years.
- Copper conserves energy, requiring far less to produce than competitive materials. Pound for pound, about half as much as aluminum, for example.

Whether you're renovating a century-old home in San Francisco or building a new industrial plant in Maine, you'll want to know more about copper. Write for our free facts booklet.

phelps dodge

300 Park Avenue,
New York, N.Y. 10022

Phelps Dodge: the time-tested name in copper.

Recalling 1974, American beef farmers refuse to increase their herds despite rising beef prices. Shades of Marie Antoinette.

Let 'em eat soybeans

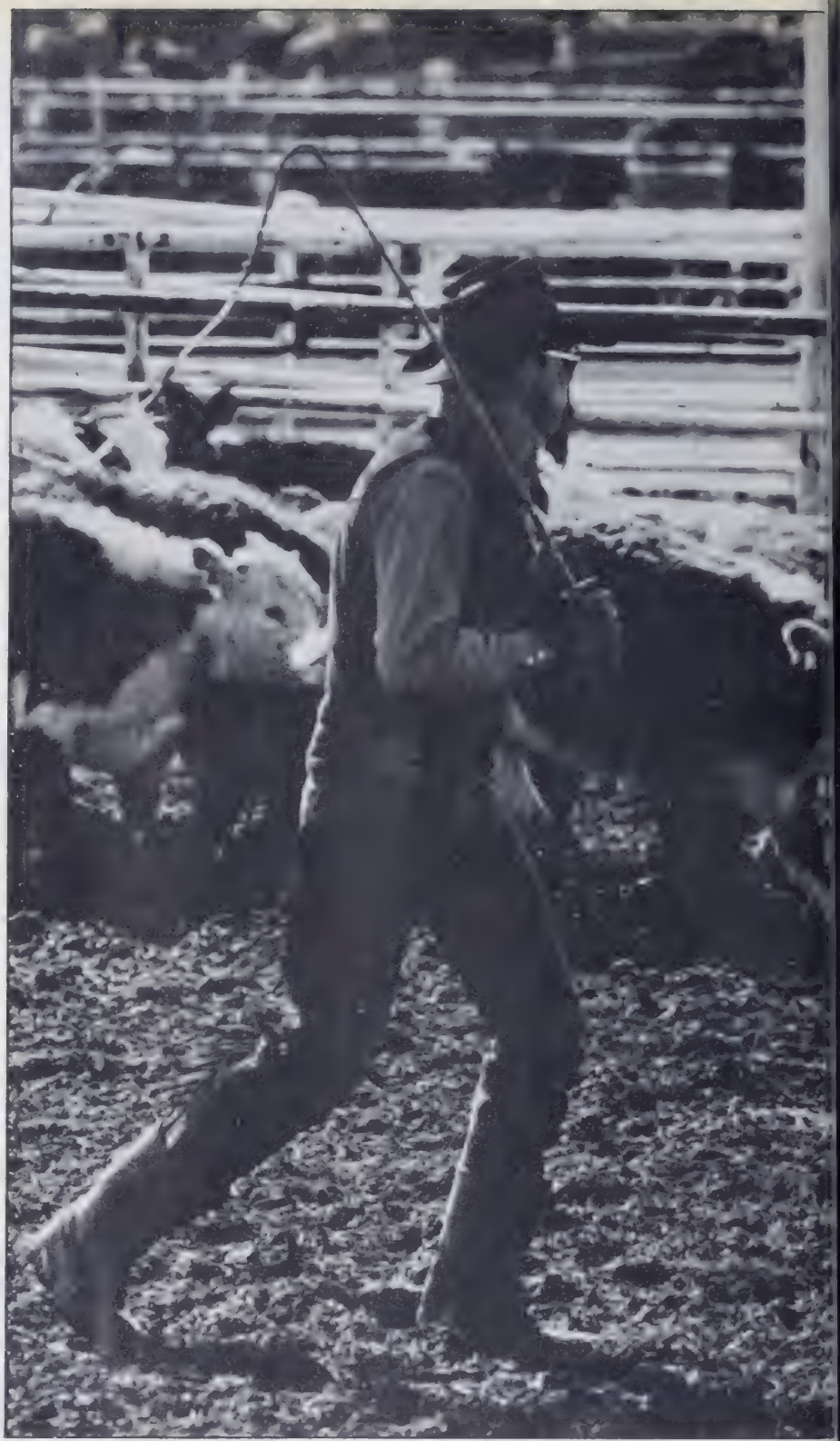
By Elizabeth Bailey

IT WAS DINNER TIME at Pitchfork Land & Cattle near Guthrie, Tex. and R.J. Bell, the veteran cook, was passing around the black-eyed peas, french fries and meat loaf. The cowboys, seated along the varnished pine table, discussed the Super Bowl. By the time R.J. served the cherry cobbler, talk turned to business. "Nobody's building back their herds," said Billy George Brennan, a ranch hand in his 40s. "Guess we'll be seeing soybeans in our burgers. Don't taste so bad." Drawled his neighbor: "Just not the same."

It's easy to understand why cowboys are talking about meat extenders. Hamburger rose 43% in price last year, to about $1.30 a pound today, and the outlook is for worse to come. The cow population, which is the basis for future supplies of meat at the grocery store, is back down to only 49 million—about what it was in 1967 after getting as high as 56.9 million in 1975. The total cattle herd is now about 110 million, down 17% from four years ago.

So, why are cattlemen so slow to rebuild their herds? At current prices of 79 cents a pound for feeder cattle—beasts of roughly 600 pounds raised from birth—the rancher breeding them can earn close to 18% on his investment.

But what you hear out on the flat, unforgiving plains of the Texas Panhandle today is not rejoicing in the good times, but caution bred from the very bad times of the mid-1970s. "We're going to wait until spring to see what kind of herd we build," says Jim Humphreys, the ranch manager who runs the Pitchfork for its owners, a family now living in St. Louis.



Cowboy Bruce McFalk herding cattle at the Coyote Lake Feed Yard near Muleshoe, Tex.
Cowboys know why the price of meat is going up; the size of the herd is down.

Considering that it takes three to four years from the time a rancher decides to start rebuilding the herd until the offspring of that decision come to the retail market as prime ribs, steak and hamburger, the cattleman's caution means years of high beef prices ahead—and more chicken and pork on the American table. Full-time ranchers, like Jim Humphreys, have had all they can take of enthusiasm over beef and cattle in th boom/bust of this decade. They'd like th business to settle down so they coul make a good living without repetitiv cycles of boom and bust.

Jim Humphreys runs a ranch employ ing 15 full-time cowboys taking care c 5,000 cows. That's a big operation in thi business and the Pitchfork is a rarity The massive herds we all remembe

n Western movies are not any longer usual thing in Texas or elsewhere. st typical is a part-time rancher with be 50 cows. "The guy might have a ice station or a welding shop in town raise the cattle on his own land or e it from a neighbor. It doesn't take a le lot of work—maybe he'll throw some hay each day, but that's about That's the way Jim Nix of the *World Food & Agriculture Bulletin* puts it.

In these part-time cowboys lies the problem of the cattle business—and the cause of the sharp swings in the price of hamburger. When things look good, as they did in the early Seventies, everybody gets into the business—doctors, dentists, corporate executives. For them it is an ego trip with speculative thrills. When prices begin to drop—as they did in 1973—these part-timers fall over themselves to get their cattle to market.

Go back to the late Sixties. The business looked good indeed. Demand for beef was expanding at an incredible rate. Americans consumed only 60 pounds of red meat per capita in 1950; by the mid-1970s they were wolfing down 120 pounds. Steak became a great American status symbol—so much so that many people felt underprivileged if they had to cut back on consumption. And at the other end of the scale, hamburger became one of the great staples and McDonald's became a growth company.

"I remember back several years," says John Birdwell, a third-generation rancher in Muleshoe, a small town in the Texas Panhandle, "I was at a meeting in San Diego where Secretary of Agriculture Butz was talking—telling us we couldn't possibly produce enough beef by 1981 or 1982 to keep up with demand. Every man there heard the same thing I did. We all wanted to make money."

So cattlemen took advantage of a more efficient way to raise cattle, and the result was a quantum jump in the beef supply. Previously cattle had been fattened mostly on the range, less than half of them moving to feedlots in the Corn Belt. The advantage of a feedlot is that cattle don't waste energy wandering around looking for food; they can gain up to three pounds a day on a lot compared with about one pound on the range. With the demand for beef soaring, the feedlots moved to the Texas Panhandle, where they were more accessible to ranchers; suddenly over 75% of all cattle were put into feedlots. Since these cattle come out around 100 pounds heavier than their range-grazing counterparts, the supply of meat grew even faster than the size of the herds. Meat poured onto the market.

At first life was cheery indeed. "All the doctors and big money back in New York were jumping into the business," says Humphreys. Speculators would buy up the young cattle, pay the feed bills and hope that the prices paid for finished cattle would rise. "It got ridiculous," remembers one rancher. "These guys would have different agents representing them at the same auction, bidding against each other. It was great for us ranchers, but it drove the price of cattle sky-high."

Between 1972 and 1974, bad weather and poor harvests overseas increased demand for U.S. grain exports and drove the price of corn from $1.57 a bushel to more than $3. The doctors lost their shirts feeding all those feedlot cattle. Investors who were making $70 a head in late 1972 were losing over $100 a head by 1974. Feedlot operators lost over $3 billion in 1974; many quit the business.

This bulge in grain prices, drought and the stirrings of the 1974 recession caused a panic among the ranchers—particularly

Panhandle rancher John Birdwell looking over his spread
"We all wanted to make money," he recalls, "so we produced too much cattle."

the part-time cowboys who had take out loans to buy their cows. But th calves conceived in the dream days 1971 and 1972 were still with the mothers or maybe just weaning, and th supply of beef waiting to go to mark was growing. Speculators started sellin off their cattle—cows and heifers as we as steers. It amounted to a fire sale. Th price of cattle on the hoof dropped fro $43 per 100 pounds in 1973 to less tha $36 per 100 pounds in 1974.

History repeats but rarely in precise the same way. A rerun of the overexpa sion of 1973 is unlikely—which is wh expanding demand is pushing up again a rather static supply.

However, trouble could come from ot er directions. In its truckling to the far vote, the Carter Administration and Co gress have kept quotas low on importe beef—this while the U.S. lectures Europ ans and Japanese on letting in mo American citrus fruit and chickens.

Imported beef still accounts for on about 7% of U.S. consumption, but th quotas are a powerful anti-inflationa weapon. In a token way, President Ca ter has already used the weapon, raisi the beef quota last summer. "Back June," says Birdwell, a large man lookin the part of a successful rancher in press jeans and a monogrammed striped shi "my son Clay had a number of catt ready to go. He priced them at 62½ cen per pound and had a bid for 62 cents. H didn't take it. Then the announceme came about importing 200 million mo pounds and he had to wait two wee before he could get 50 cents."

It doesn't look like the Administrati will face the fury of the beef raisers a let in more foreign beef. A telegram se by Secretary of Agriculture Bergland last month's meeting of the Nation Cattlemen's Association said: "Pres dent Carter has no plans to increase t 1979 imports of fresh, chilled and froz beef, mutton and goat meat above th levels announced December 29."

As for soyburgers, a recent bulleti from the National Cattlemen's Asso ation warned: "Much of extender u may be in restaurant/institutional ma kets, but retail use may grow some to Actually, this is not all bad for beef bu ness. Availability of cheaper, extend product can again keep some lower-i come people buying beef. Without e tender, price could force them out of th beef buying habit." What the cattlem are saying, of course, is: "Let's ke prices high and supply limited; let's fe some of those soybeans directly to pe ple instead of running it through cattle.

So, here's the prospect: Although th supply of beef will be down in 1979, by much as 6%, poultry is expected to be u by over 10% and the pig crop maybe 7% Coq au vin, anyone? Roast pork? Ma aroni and cheese? ■

If getting to the meeting takes longer than the meeting, there's no place like Hilton.

Traveling is part of business. But traveling between your hotel and your meetings doesn't have to be. Not if you're staying at a Hilton. Because Hilton has a knack of being where your business is.

There's a Hilton to serve you in the downtown of most major cities. There are Hiltons in the suburbs. And if your business keeps you out by the airport, you'll appreciate the many Airport Hiltons.

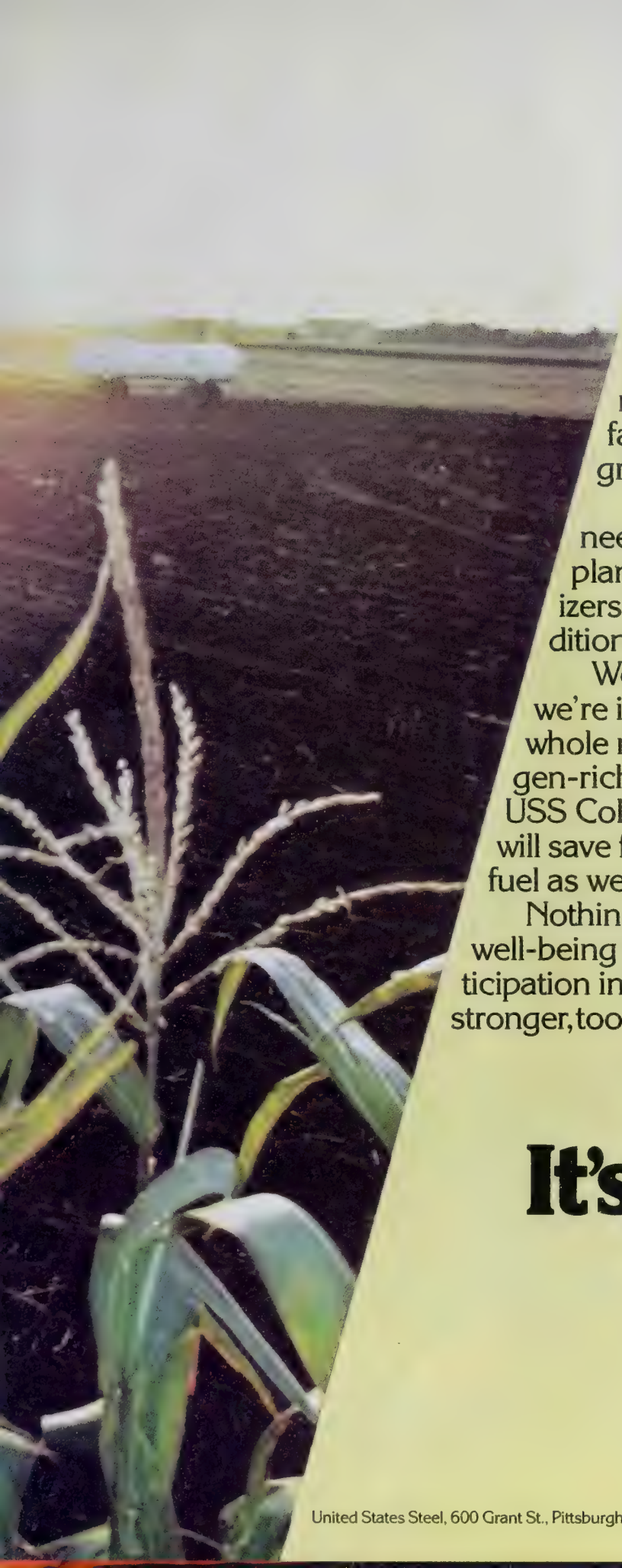
Each conveniently located Hilton offers comfortable rooms, full meeting facilities and famous Hilton Rainbow Service.

So the next time you go on a business trip, remember there are more than 174 Hiltons in the country to help you take care of business.

For reservations and information, call your travel agent or your local Hilton Reservation Service.

There's no place like HILTON.

Some of our best
customers buy a lot
more than steel...
because they're farmers.



Not everybody is aware that America's leading steelmaker is also a leading supplier of fertilizers and crop-protection chemicals.

The fact is our USS Agri-Chemicals Division sells a vast variety of farm products through more than 7,000 independent farm supply stores. And we're growing.

To meet farmers' increasing needs, we're expanding two of our plants that produce nitrogen fertilizers. We've already completed an addition to one that makes phosphates.

We're innovators, too. For example, we're involved in the development of a whole new method of applying nitrogen-rich ammonia using the patented USS Cold-flo™ Converter. This technique will save farmers enormous amounts of fuel as well as time and labor.

Nothing is more basic to this country's well-being than agriculture. Our broad participation in agriculture makes U.S. Steel stronger, too.

Versatility. It's one of our strengths.

USS

TRADEMARK

United States Steel, 600 Grant St., Pittsburgh, Pa. 15230

Farrah smiled. Jimmy grinned.

And America celebrated its 200th birthday. Gathering the strength and resources to meet the challenge of tomorrow. While renewed vigor and vitality lit the nation, Avco helped lead the way into a new era of confidence.

Confidence for the millions who fly in airliners, helicopters, and executive aircraft powered by piston and gas turbine engines from Avco Lycoming.

Confidence for people in five nations, whose lives are a little easier with loans from Avco Financial Services.

Confidence for Paul Revere life insurance policyholders in all fifty states and Canada. And for thousands living in Avco Community Developers' award winning residential communities.

Confidence for fifty years. From consumer loans and insurance protection to research and manufacturing. Where Avco leads, confidence follows.

Today, families around the world rely on Avco Financial Services and Paul Revere Life Insurance.

AVCO CORPORATION

Where Avco leads, confidence follows.

ou couldn't buy a going business at any-ping like these bargain prices.

Will lightning strike again?

Statistical Spotlight

OUR ISSUE of July 15, 1974, when the ock market looked as if it were sinking ward oblivion, we published in this ace a special list. It was made up of nerican Stock Exchange companies nose stocks were ridiculously cheap by the standard statistical measures. We used tough, Benjamin Graham-type criteria. To get on our list, an Amex stock had to meet all five of them:

1) a price/earnings ratio of five or less;
2) discounts of 50% or more;
3) dividend payouts;
4) a current ratio of at least 2-to-1;
5) a debt ratio that did not exceed 35%.

Out of 1,170 then-listed Amex stocks, just 30 met all 5 criteria.

What happened to investors who bought these stocks then? You should be so lucky. Of the 30, 6 merged or sold their assets. The remaining stocks have had an average increase of 86%. Nine have more than doubled—2 of those have quadrupled. Only 4 of the 30 are slightly lower now than in 1974.

Pleased with the results, we decided to try the same test again. Alas, only six Amex stocks now meet all the criteria. They are listed below.

Since six seemed a lonely number we decided to broaden our search by extending it to the over-the-counter market. Here, too, we had rather slim pickings with our tough criteria. We found just nine stocks, almost entirely concentrated in retailing, textiles and furniture. They are listed below.

Will 1979's super-value stocks do as well as 1974's? You get no guarantee, but this much is certain: You couldn't buy a going business at anything like the low prices at which you can get shares in these businesses—which is what Ben Graham and the investment thinkers who follow him are all about.■

The most loaded laggards

The stocks listed below are selling at unusually deep discounts from book value, despite good current ratios, healthy earnings, low price/earnings ratios and reasonable debt.

Company (Industry)	Discount from book value	Book value per share	Recent price	Latest 12-month earnings per share	Price/ earnings ratio	Yield on common	Revenues (millions)	Current ratio	Debt ratio*	Five-year price range
American Stock Exchange										
Almy Stores (retailing)	72%	$20.79	5⅞	$1.17	5	1.7%	$72	2.1	29%	11⅜– 1½
National Spinning (textiles)	71	12.39	3⅝	1.06	3	5.5	99	2.6	16	7½– 2¼
C H Masland (carpet)	55	23.73	10⅝	2.43	4	6.1	158	2.6	33	17 – 3¾
Torin (ind equip)	53	25.53	11⅞	2.24	5	6.7	73	2.1	17	17½– 6⅞
Lightolier (lighting)	53	16.48	7¾	1.52	5	3.1	79	3.1	33	9⅛– 1⅞
Universal Cigar (tobacco)	51	8.18	4	1.03	4	1.3	28	4.5	2	5¼– 1⅝
Over-the-counter										
Bibb Co (textile)	73	42.73	11½	2.52	5	3.5	207	2.0	35	14⅛– 5¾
Michaels Inc (retail)	69	13.71	4¼	1.20	4	7.5	12	3.2	14	6¼– 2
Pulaski Furniture (furniture)	58	21.39	9	2.38	4	5.6	47	3.1	21	14¾– 3
Consolidated Accessories (retailing)	51	16.86	8¼	2.28	4	2.9	27	3.8	14	10¾– 1¼
Slater Electric (wiring devices)	52	14.97	7¼	2.81	3	5.0	30	2.9	12	10¼– 2½
Hines (Edward) Lumber (lumber)	51	89.62	44	10.01	4	6.8	289	2.0	8	48½–21
Berkline Corp (furniture)	49	11.79	6	1.62	4	8.3	60	2.7	18	9⅜– 2
Chatham Mfg (textiles)	49	24.30	12⅜	2.45	5	6.5	98	4.8	16	14⅜– 5½
Danly Machine (furniture)	49	37.03	18¾	5.42	3	7.5	87	2.3	31	25½– 3¾

*Debt as percent of total capital.

Wallace Rasmussen was slated to be interim chairman at $7.3 billion Beatrice Foods. But the former dairyman had other ideas.

The man who came to dinner

WALLACE RASMUSSEN, chairman and chief executive officer of giant Beatrice Foods Co., is a man full of surprises. He certainly surprised the man who gave him the CEO's job back in 1976 when he was 62. Then there was the man who was supposed to replace him this year, but was forced out of the company instead. Now it doesn't look as though Rasmussen is going to be replaced by anybody else for a while. This from a man who only made the top spot at 62 and was expected to be an interim boss.

When William Karnes, chairman and CEO, was getting set to retire in 1976 after 24 years at Beatrice's helm, he set up what he thought was the line of succession: Karnes' protégé, William Mitchell, the chief financial officer, was made chairman; Rasmussen got the titles of president and CEO. Since Mitchell was then 45 and Rasmussen was 62, apparently Karnes assumed that when Rasmussen turned 65 this coming July, he would retire and hand the big job over to Mitchell.

But, as Robbie Burns said, the best laid schemes. . . . Within 15 months Mitchell was out of the company altogether, and last December Rasmussen completed the coup. He did so by getting the company's mandatory retirement rule amended so he will be able to hang on to the job he has apparently coveted for a long time.

The job was a real prize. Through a shrewd acquisition program orchestrated by Karnes, Beatrice blossomed from a $250 million butter-and-egg operation to a $5 billion conglomerate. Today, Beatrice's $7.3 billion in sales and $255 million in earnings for 1978 spans a string of food and nonfood products in some 400 profit centers, making it one of the biggest outfits in its field. Its biggest sales and profitmakers include recently acquired citrus juice seller Tropicana

Beatrice Foods' Dannon yogurt
Mixing milkman's products with management politics.

($280 million in estimated sales l year), specialty meats producer Pe Eckrich & Sons ($275 million), ster maker Harman International ($170 m lion), Samsonite luggage ($165 millio Dannon yogurt ($100 million), Airstrea touring trailers ($85 million), LaCh oriental foods ($75 million), plus sco of small-town dairies supplying mi butter and ice cream, mostly under t Meadow Gold brand. And the pay is bad: $460,000 a year.

Karnes should have seen the diff ences in the two men as the seeds trouble long ago. Mitchell, like his me tor Karnes, graduated from Northwe ern University law school; Rasmusse only academic credential is a high sch diploma. Mitchell, like Karnes, spe most of his 19 years at Beatrice in cor rate administration. Rasmussen, an erating man who started life hauling i for railroad refrigerator cars, ran Beatri dairies for years. After taking the t spot, the big, burly Rasmussen wou arrive to work at Beatrice's Chica headquarters at 6:00 a.m.; Mitch would stroll in at 8:45.

Mitchell felt strongly that he and Ra mussen ought to digest and consolida Karnes' long string of acquisitions. Ra mussen, on the contrary, believed th Beatrice had the resources and the ma agement skills to keep on acquiring. l let Mitchell take his case to the board the summer of 1977. The majority directors, operating people like Rasmu sen, wouldn't go along with Mitchel conservatism. Mitchell quit in Septe ber 1977, taking $770,000 in severan money as a consolation. He now ru $480 million (sales) Central Telephone Utilities Corp.

From then on, Rasmussen had a fr hand. And he has used it to make hims chairman and, according to one oust executive, "to clean out anyone who h a close connection to Karnes." Besid Mitchell, several other corporate offic have left recently, through firing forced retirement. And last summer Ra mussen acquired orange juice-mak Tropicana Inc. in a deal that we against several of the company's tra tional acquisition rules. For one thing, put Beatrice into a commodity-depe dent business. For another, the merg which cost Beatrice $230 million in ca and $258 million in stock, diluted t company's earnings by 5 cents a share the current fiscal year and 3 cents a sha in 1980.

A Chicago securities analyst, Rona Strauss of William Blair & Co., sees th purchase as expressing new willingne on Beatrice's part to accept dilution sufficiently attractive acquisitio Karnes steered clear of targets that dilu ed Beatrice stock. But Rasmussen c nies that it's more than "a one-sh case. We looked at its aftertax return

You may not know my company yet, but you know my partner.

Jack Cochran, President of Qwip Systems, has good reason to be smiling.

His company is part of Exxon Information Systems, Exxon's fast-growing business activity in the information systems field.

Qwip and Exxon Information Systems combine the resources of a large organization with the unique technological skills and entrepreneurial drive of a not so large one.

In this case, the result of the marriage is a brilliantly simple machine called Qwip®, which can send words, pictures, and copies of just about anything else on paper over your phone to another machine at any other phone in the nation. In two minutes flat.

Founded by Rik Nelson, an Exxon Enterprises Inc. vice president, Qwip Systems has decisively beaten the high cost and technical bugs that plague other facsimile machines. It's so simple, you practically have to make an effort to make a mistake. And if anything should go wrong with your Qwip unit, it gets replaced immediately under Qwip Systems' service-by-replacement policy.

Amazingly, Qwip today costs less than competing machines. Which further explains why, less than five years after its introduction, Qwip is placing more facsimile machines than any other company, even the office equipment giants.

The Tiger would like you to know more about how Qwip Systems and his other partners can help streamline information handling in your organization. For your copy of a brochure which details products and services, call 800-223-2479 toll free (in New York State, call 212-398-3141), or write to "Exxon Information Systems Brochure," 1251 Avenue of the Americas, N.Y., N.Y. 10020

Qwip

EXXON INFORMATION SYSTEMS

Habit-forming.

Which may be why more and more businessmen who take our Concorde once take it again and again. For only $144 more than First Class it will take you from New York to London in 3½ hours. To arrive refreshed, invigorated, and ready to do the competition in.

Take our 10 a.m. flight (every day but Wednesday and Friday), and you'll have same-day daylight connections to 47 cities in Britain, Europe, and the Middle East.

Also, you can now fly to Europe the same day from more than 120 cities in the U.S.—by connecting with the midday Concorde in New York (12:15 p.m. daily) or Washington, D.C. (12:30 p.m., Sunday, Wednesday, Friday).

You can even fly Concorde direct between Dallas/Ft. Worth and London via Washington. And newest of all, from London to Singapore—saving 6 hours.

Call your Travel Agent, Transportation Department, or British Airways, and make your next flight to London on Concorde. Tell them Robert Morley says it's never too soon to start a good habit.

British airways

We'll take more care of you.

9.1% and decided to spend our loot one good food company," he says, "bu won't take another one like that to t board." Tropicana now becomes B atrice's biggest single product line. A Rasmussen justifies the price on the fa that since its market is concentrat along the East Coast, with 37% in t New York City area, there's a lot room for expansion.

Rasmussen has also put his own m in top spots since Mitchell's departu All come out of operations, of cour James Dutt, 53, president, is a veter dairyman who followed Rasmussen the corporate ladder and is consider the leading candidate for Rasmusse job when he retires; Donald Eckrich, 5 vice chairman and head of grocery bu nesses, is a tough, production-mind man who came to Beatrice in 1972 w the acquisition of his family's meat co pany; Richard Voell, 45, deputy cha man, is an aggressive, "new breed" ma

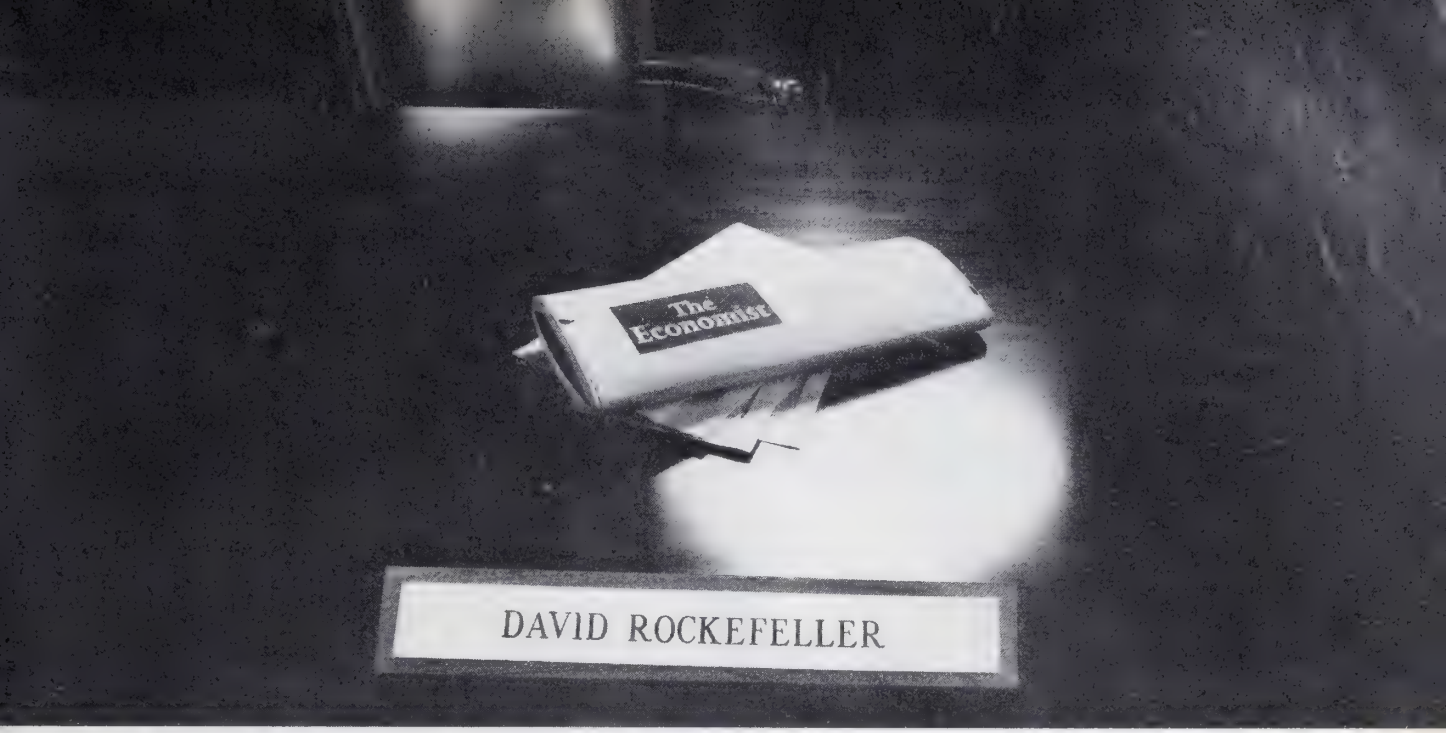
Rasmussen is doing a little r writing of Beatrice history. wasn't Karnes who made B atrice what it is, he say. "This company saw its grea est growth under Don Gra tham," an operating man wh was Karnes' president.

ager who headed nonfood operatio (about 25% of revenues) until he to over acquisition activities.

It's not clear when any of these new promoted dairymen will get a shot at t top title since the board at the end of 19 eliminated mandatory retirement at a 65. What is clear is that Beatrice, trad tionally a highly decentralized group operations, is subtly becoming more ce tralized. One executive insists that "pe ple at the operating level are being tc more by the people on high." Rasmuss doesn't deny that, but he says that it is just a matter of making sure that t operating people comply with the welt of new government regulations.

Having constructed his power ba Rasmussen now confidently states th Beatrice will always be run by an ope ations man. Karnes, however, was a la yer, not a dairyman. That prompts Ra mussen to do a little rewriting of B atrice history. It wasn't Karnes wh made Beatrice what it is, says Rasmu sen: "This company saw its greate growth under Don Grantham," an ope ating man who was Karnes' preside between 1972 and 1976, just before Ra mussen took over.

That is a tough and determined ma and even though he is pushing 65, doesn't sound like anybody is going to to Wallace Rasmussen what he has do to others. ■



Perhaps you need The Economist, too.

It gives you a view of world politics and business you just can't get anywhere else.

ıternational events reported weekly —with a difference.

r 135 years, the world's leaders have been ding The Economist for a penetrating ight into international affairs, politics, siness, science, technology and world trade d the consequences. It is coverage you just not get elsewhere—no matter how much u are willing to spend.

The Economist presents a total view of at's happening in America and abroad that reases your understanding of the interrelanships between global affairs and the reali- s of today's marketplace.

To those who say we're just or economists, we say "RUBBISH!"

the uninitiated, our name conjures images ivory towers. Of dust-dry academics. Noth- could be further from the truth.

The Economist is one of the most lively, grossing newsweeklies you can read. No e and nothing is sacred as we report on ger-than-life leaders...national goals merica's and others)...the jockeying for wer here and abroad...how new legislation, reements, treaties affect the business of ng business worldwide.

More than any other newsweekly, we dare to pin down the future.

metimes we've been wrong.

More often, we've been right. And that too es you an advantage hard to come by in a rld where talk is cheap and guesswork can costly.

A few of our recent "right" predictions: e oil producer's cartel. The energy crisis. ergers and demises in industry (like lvo/Saab-Scania). The tanker glut (we *warned* banks not to over-invest) and the Wall Street boomlet in early 1978.

But that's all history now. What you probably want to know is—

What we've been up to lately.

In recent issues we told why Mexico could be the next oil power...revealed the next step for international terrorists...zoomed in on Hollywood and the future of the world film industry...warned of deadly Soviet weapons ignored by SALT negotiators...and spun a report of a new recording disc that stores up to 15,000 pages of information for 10 cents.

And much more...including a view of—

America...as you rarely see it.

Our weekly six-page "American Survey" is a stimulating look at American news in the context of international affairs—a cool, level-headed perspective you would expect a critical and expert outsider to deliver.

The sun never sets on readers of The Economist.

The Economist is airmailed weekly to 160 world capitals. In North America, 28,000 leaders at "the pinnacles of power" turn to it weekly. *Newsweek* has called us "required reading on Wall Street and in the White House."

That's not surprising. The Economist has a knack for knowing—in advance—who's doing what to whom in Bonn, Zurich, Moscow, Peking...what's up (or down) with the dollar, the yen, the D-mark, the rand...what's new with the EEC, AEC, SEC, OPEC, even the CVP, the OECD and Comecon countries.

1979 will demand innovative solutions to a host of world problems. Businesses will falter, expand, turn venturesome, turn inward. Old markets will evaporate, new ones rise up unexpectedly. And The Economist will report it all—often first, with consistent accuracy, always from its special objective vantage that today's decision-makers cannot be without.

Sample 4 issues RISK FREE.

Get a different view. Get The Economist regularly. *You can sample 4 weekly issues risk-free* simply by returning the card bound in at left. (If someone's beat you to it, use the coupon below.) You'll get a special savings of over ONE-HALF the newsstand price and full assurance of a prompt, full refund if you wish.

Join The Economist with this RISK-FREE OFFER

To: The Economist
515 Abbott Drive, Broomall, Pa. 19008

Yes, I'll accept your special offer reserved for new subscribers: 39 weekly issues at just 77¢ an issue, which saves me over one-half off the $1.75 newsstand price. However, if I decide after receiving 4 issues that The Economist is not for me, I can simply tell you to stop airmailing my issues and receive a full refund.

☐ Payment of $29.95 enclosed
☐ Bill me ☐ Bill my organization

Name

Organization

Address

City State Zip

FB21979

This offer applies only for new subscribers in North America

Little Bohemia Inc. has custom-cut a profitable niche for itself among the giants of the forest products industry.

Can you outrun a famine?

By Anthony Spaeth

EUGENE, ORE., tucked away in the scenic Willamette Valley, likes to call itself America's jogging capital: After all, it did host the last two Olympic track and field trials. But the fanciest footwork around Eugene lately has been at Bohemia Inc., a relatively tiny forest products company that has neatly avoided being trampled by the big outfits that dominate the industry. Bohemia, however, operates with one major disadvantage: It possesses few trees of its own, and it remains to be seen whether Bohemia is just doing some very good short-distance sprinting in a race that is decidedly long distan

Like other forest products compar in the region, Bohemia is at a disadv tage because the Pacific Northwe timberland is in very short supply. example, 47% of Oregon's commer acres are owned by the government, pressure from environmentalists to these acres off limits to industry is c stant. Moreover, the prices of the p Douglas fir logs that are available ar record levels. Bohemia's giant comp tors are looking to the South's fast-gr ing, privately owned forests for their s ply *(see* FORBES, *Dec. 11, 1978)*, but Bo mia is too small to consider a m How, then, has Bohemia managed to vive and prosper so far?

It has done so by furnishing speci items, such as odd-size wood beams massive high-strength laminated bea to the construction industry. Some 6 of Bohemia's output consists of such cialty products, whose profit margins as much as a third higher than for c modity items like two-by-fours. Bo mia made a respectable $8.6 million sales of $146 million in its 1978 fi year ended last April. It did even bette its fiscal first half ended Oct. 31: Ope ing net was up 84% to $7.87 million sales of $91 million.

Bohemia's origins go back to one sm mill established before the turn of century. In those days, an official hist recalls, the company "rarely got a re amount of logs down to the mill and mill itself was just occasionally a beeh of activity. Only when the crew re ered—along about midweek—from t boisterous weekend activities, was producing outfit. The weekends came too often." But Bohemia survi these shaky beginnings and, under leadership of L.L. (Stub) Stewart, ran the company from 1946 until he tired three years ago, it found its nich

"Most other companies revampe high volume operations," says Stew successor, President S.E. Pittman, who started with the company in 1 and who still visits the mills every before going to the office. "We mod ized to where we can cut specialty p ucts and bring in more money."

Part of Bohemia's fast footwork sists of keeping its facilities runnin tune with the market. The company do this because 6 of its 13 mills plants are clustered around its Eug headquarters. "We have enough mill that we can switch logs around to plant that gives the best return," plains Pittman as he pads around company offices, checking the daily der slips. This means that if orders running high for plywood, logs ca diverted from other mills to feed plywood plant. "This plant location g us the flexibility to make decisions fa says Financial Vice President Fred G

Bohemia's retired president—and course setter—L.L. (Stub) Stewart
He steered the company away from less profitable two-by-fours.

© Eastman Kodak Company, 1978

"I have here six copies...six copies of what, Mr. Osgood?"

Sure, your copies are readable...mostly. But what kind of impression do those gray, bespeckled things make on customers and colleagues? Kodak copiers can turn out crisp blacks and spotless whites at a rate of 4200 pages an hour. It's quality that makes you look good.

People tell us ours is the best in the business. Let a few of our machines around your place make everybody look good. Dependability is great. You probably can't get a better deal. We'd like to demonstrate.

Write: A. Angert, Eastman Kodak Company, CD9320, Rochester, NY 14650.

People say it's the best quality in the business. Kodak

Kodak Ektaprint 100F copier-duplicator

Logging by balloon: a skyhook to get at those problem spots

Up, up and away

At times the Pacific Northwest's rugged terrain is too difficult for even the most dedicated loggers, and they just can't get the logs out. At other times the terrain is too delicate: The rough ways of loggers can harm the environment, and the government can put tough restrictions on the retrieval of logs from its millions of acres of national forests. What's a logger to do?

Enter Faye H. Stewart. Stewart, who helped build Bohemia along with brother Stub, pioneered the concept of balloon logging 18 years ago, and both the old firm and his new one—Flying Scotsman, Inc.—have balloon logged ever since.

Normally logs are dragged by cable from where they fall to the "landing," where they are carted away by trucks. If the logs are on a steep cliff, or surrounded by soil that can't tolerate any erosion, they must be plucked out of the area gently. Bring in the balloon.

With two cables attached, the balloon is rooted to both the landing and the logging site. A specially designed "yarder" reels the balloon down to the logging site where a log is attached. The cable is let out again and the balloon lifts the log clear of the area. The second yarder then pulls it into the landing, where the log is detached. The diesel-powered yarders are made especially heavy to keep the balloons from taking them with it; the balloons are capable of hoisting 30,000 pounds worth of Douglas fir.

Balloon logging allows companies to retrieve logs that are otherwise inaccessible, and although the cost is higher than regular logging methods, it is cheaper than the alternative. Helicopters, which can handle longer hauls, cost over $7 million, while a balloon system costs only $1.25 million. The cost of hauling 1,000 board feet of timber by chopper is $150; a balloon can do it for less than half that amount.

As an idea, balloon logging had trouble getting off the ground. After five years of fruitless collaboration with Goodyear, Stewart was ready to junk the idea. "Their balloons were like kites," he growls. Dropping Goodyear (to sue them later for the wasted time and money—and win), he linked up with Raven Industries of Sioux Falls, S.D. Together they designed the balloons that Bohemia and Flying Scotsman use now. "Faye should be commended for having the guts to stay with it," says older brother Stub. Then he grins, "And I guess it was a bunch of damn fool people who backed him up."

Some analysts don't consider the idea a high-flying success. But with 50 employees, several jobs behind them and a couple of onion-shaped balloons, Faye Stewart doesn't pay them much mind. "We are definitely making money," he asserts. Somebody up there must like it. **—A.S.**

A larger company, with many mi widely scattered, can't turn so nimbly.

In most large companies a log is cc verted into dimensional lumber a stored; orders are filled from invento At Bohemia, however, each mill ma ager consults a list of outstanding ord before putting a blade to a log. Thus t mills don't produce unneeded produc nor do they chop up high quality l into standard two-by-fours. Such flexib ity also allows Bohemia to switch fr industrial to residential constructi items quickly. Since the cycles in th markets are usually staggered, Bohen can ride each cycle to advantage.

Another plus is Bohemia's ability offer mixed packages of products, givi it an advantage over larger compan that have to ship different products fr different facilities. It also bypasses t wholesalers and sells directly to large tailers and large distribution agents—' pick up a few bucks," Pittman says.

Another cost-cutter is Bohemi mechanization: Its nearby Saginaw pl forms laminated beams hydraulical while even huge competitors often c tinue to use hand clamps. Bohemia a works hard at squeezing more yield of waste products. A bark process plant, after a couple of losing years, now in the black, and Bohemia is on of such state-of-the-art techniques burning a sawdust-air mixture for en gy. The company has also pioneered concept of balloon logging *(see b* which it still practices every summer

But what about that shortage of ti berland? "If there was more availal we'd buy it," says Pittman. He has employee whose sole job is to sc available small woodlots, and Bohe screens every takeover candidate to if it owns a good amount of timberla But some people see no future at all forest products companies without l in those burgeoning southern fore "The walls are closing in," says one dustry analyst, who believes that com nies like Bohemia have only one m housing cycle before tightening costs come fatal.

Bohemia made a stab at diversificat in 1969 when it acquired a marine c struction division. Aided by a virtual sence of competition in the region, division contributed over 12% of 1 operating profits. But given the unp dictability of government contracts, company expects the marine divisio contribute less of a share of earning the future.

Pittman still thinks he has a winne his small, fast, efficient custom-cut o ation, the "have it your way" of forest products industry. If indeed Bo mia's future—and that of many s companies—is limited, it won't be cause it couldn't see the forest for trees. It just couldn't get hold of them

WE KEEP THINGS MOVING IN ARGENTINA.

This country faced a tough economic problem – improving its critical trade balance. And we felt a particularly strong interest in helping; after all, Buenos Aires was our first overseas branch, dating back to 1917.

So in 1969 we founded an Export School which has already trained 5,000 Argentine executives. Now the nation's products are kept moving through the ports, contributing towards a positive trade balance. And those products are more and more often non-traditional – the result of modern technology. (Our educational program has brought us several awards from Argentina's Government for contributing to the economy.)

Bank of Boston has never felt that we're simply "open for business" in the 40 countries where we're located. We've always felt a strong obligation to work with them. And tough financial problems are right down our alley: we have more than 10,000 people around the world ready to tackle them and more than $2 billion currently committed to overseas lending. In the U.S. itself we have full-service facilities (Bank of Boston International) in New York, Los Angeles, and Miami – as well as our headquarters staff in Boston who specialize in financing, factoring, leasing, foreign exchange, and all related services.

Where in the world can we tackle the next tough project for your company?

BANK OF BOSTON 1784

THE FIRST NATIONAL BANK OF BOSTON

WE TACKLE THE TOUGH ONES.

RLD HEADQUARTERS: **100 FEDERAL STREET, BOSTON, MASS.** OTHER U.S. FACILITIES IN **NEW YORK, MIAMI, LOS ANGELES.** OVERSEAS FACILITIES IN **ARGENTINA:** AVELLANEDA, BUENOS ES, ROSARIO **AUSTRALIA:** MELBOURNE, SYDNEY **BAHAMAS:** NASSAU **BOLIVIA:** LA PAZ, SANTA CRUZ **BRAZIL:** BRASILIA, CAMPINAS, PORTO ALEGRE, RIO DE JANEIRO, SAO PAULO. **NNEL ISLANDS:** GUERNSEY **DOMINICAN REPUBLIC:** SANTO DOMINGO **FRANCE:** PARIS **GERMANY:** FRANKFURT, HAMBURG **GUATEMALA:** GUATEMALA CITY **HAITI:** PORT-AU-PRINCE **IG KONG. IRAN:** TEHRAN **JAPAN:** TOKYO **LEBANON:** BEIRUT **LUXEMBOURG:** LUXEMBOURG CITY **MEXICO:** MEXICO CITY **PANAMA:** PANAMA CITY **SINGAPORE. SPAIN:** MADRID **UNITED GDOM:** LONDON **URUGUAY:** MONTEVIDEO **VENEZUELA:** CARACAS.

ENERGY IS TOO VALUABLE TO BE USED ONLY ONCE.

Faced with a finite amount of oil and gas, everybody is trying to squeeze the most from every unit of energy used. Including the oil industry itself.

In the past, waste heat from the refining process was simply sent out the smoke stack or only inefficiently recovered. Today, that won't do.

Elliott Company, a division of Carrier Corporation, can recycle that energy. It makes sense. And it makes a market — with a $300 million potential in the U.S. alone.

Elliott is building gas expander systems designed to recover up to 50% of the available energy in a refinery's waste heat stream, while sharply reducing pollution. The hot, dirty gases are cleaned up and used to drive a turbo-expander, which drives a compressor, which does additional work in the refining process. And in the Elliott-patented system, the turbine can also generate electricity.

For refineries around the world, it's almost like getting something for nothing.

Elliott pioneered power recovery in the 1950s and was also the first to make it work with dust-laden refinery gases. Today, we have ating experience in power reco turbines up to 23,000 horsepo with a 34,000 hp order in the w And we can deliver the whole power recovery package — turb compressors or generators, con and lubrication.

Recycling energy gives you good idea of how we think. Bes our work in oil, gas and petro-

mical production, Carrier
rporation deals with many other
as the world can use. Ideas that
at work in the widest range of
h-efficiency heating and cooling
uipment; inks and coatings;
rigeration for nuclear power, food
cessing and transport; automotive
nts and trim; and electronics.
een separate divisions, operating
31 countries, serving hundreds
markets.

We have built a strong, growing business by helping to expand the world's supply of usable energy and by helping people to use it more efficiently. And what could be more valuable today?

Carrier
Corporation
Carrier Tower
Syracuse, N.Y. 13221

CARRIER CORPORATION. ENERGY IDEAS AT WORK.

Big time saver.

Use our bigger roll and save on tissue maintenance time.

The less time your maintenance crew spends changing rolls of toilet tissue, the more time they have for more important jobs. That's the idea behind our big-roll Billow® tissue.

Because Billow is 1800 sheets long, it can last almost twice as long as standard one-ply rolls. So there are fewer run-outs. And your maintenance crew doesn't have to change rolls as often.

Consider the bottom line. It takes about 60 seconds to change a tissue roll. If your maintenance time costs $5 an hour or more, each roll change costs almost a dime. Add it up over a year and you'll see a real cost saving.

See how Billow tissue can save you maintenance time. Just call the Fort. Dial (312) T-H-E-F-O-R-T. And put a big time saver to work for you.

Fort Howard Paper
Green Bay, Wisconsin 54305

Call the Fort

Dial (312) T-H-E-F-O-R-T

Call the Fort is a service mark of Fort Howard Paper.

nerican Quasar Petroleum is one of the S.' hottest little oil companies. But it may t be little for long.

They shoot elephants, don't they?

By Lawrence Minard

EXAS OILMEN have a slang word for the really big oil and gas finds: "elephants." Companies with tations for gutsy and successful ex- tion are said to "shoot a lot of ele- ts." Meet a little-known elephant ter—Ft. Worth, Tex.-based Ameri- Quasar Petroleum Corp.

elephant standards, American Qua- s a flea. Revenues last year were t on a par with 1977's $27 million; ts a meager $5 million (50 cents or er share). The company has about million in long-term debt, $1.50 h for every equity dollar. Off the ce sheet reposes a potential liability h over $300 million.

nebody obviously likes this stock, ever. Recently priced (over-the- ter) at $20 per share, Quasar's 9.8 on common shares sold at 40 times ngs and at a 50% premium to the k-up value assigned by John S. Her- nc., the oil valuation experts. It is ult to thumb through the highly re- ed *Oil and Gas Journal* without find- one mention after another of the outfit. Why all the excitement?

nerican Quasar is not your ordinary erous, prudent outfit. It puts every it can lay hands on into excruciat- complex and expensive onshore ex- tion. "You've got two basic strate- n oil today: exploitation and explo- n," says Charles Strain, a Colorado ol of Mines petroleum engineer and ard M.B.A. who follows oil for ston's investment banking and bro- ge house of Underwood, Neuhaus & "At one extreme is Superior Oil, h spends $300 million a year ex- ing acreage; that's shooting fish in a l. The other extreme is American ar, which spends almost $100 mil- to accumulate and explore land in own high-potential areas."

ter three years of losses starting in , when the company went public, Quasar is now solidly profitable. Its *proven* gas reserves have climbed 50% since 1973, to about 160 billion cubic feet; oil reserves are up 500%, to about 7 million barrels. These are *proven* reserves; geologists believe one field alone in which Quasar is well positioned may have 135 billion cubic feet in *probable* recoverable natural gas deposits.

Now *that's* shooting elephants!

Quasar was formed in 1969 by five independent oilmen—Ted Collins Jr., Wilford Fultz, David McMahon, Walter (Mickey) Schmid Jr. and Richard Lowe—who anted up pieces of their personal oil property holdings. Fultz owns about 16% of Quasar's 9.8 million shares; each of the others holds about 9%. All sit on the executive committee.

"Back in 1965," explains cofounder Dick Lowe, 50, the Texas Christian University-bred geologist who serves as Quasar's chief executive, "the five of us agreed that the future of the domestic oil industry would be in drilling deep wells in unexplored areas, particularly Canada. We recognized that large oil companies *are* large because they have found big reserves of oil and gas. We wanted to become a large oil company, so we had to go after those big fields."

American Quasar's best successes have come in the Canadian and U.S. portions of the so-called Overthrust Belt. This belt, formed hundreds of millions of years ago by continents smashing into each other, snakes south from Alaska through British Columbia and Alberta, through our Rocky Mountains, and southward still, through some rich new Mexican fields, and beyond. Most of this decade's important oil and gas discoveries—from Sohio's and Arco's North Slope finds, to British Petroleum's Western Canada plays—have been made in the Overthrust.

Curiously, the U.S. Overthrust went largely ignored until the late 1960s when Standard Oil of Indiana began exploring the 7 million acre land grant given in Abraham Lincoln's presidency to the Union Pacific Railroad. Flushed by a 1971 discovery at Grizzly Valley, in British Columbia Overthrust country, Dick Lowe moved south and began acquiring pieces of U.S. Overthrust in 1972.

In January 1975 Quasar bagged its first trophy elephant: the Pineview Field in northeastern Utah, the U.S. Overthrust's first significant discovery. Geologists now believe Pineview alone has at least 50 million barrels in proven recoverable oil reserves and 50 billion cubic feet of proven recoverable gas deposits.

Lowe immediately scrambled for acreage and within months had put together 1.1 million net acres. Average cost: $1.50 per acre. Timing: perfect. Early in 1976 Amoco struck gas in southwestern Wyoming. The rush was on. Cities Service is now on the scene. So are Gulf Oil, Standard of California, and Union Pacific's Champlin Oil, to name a few.

But Quasar is the clear winner so far. Those $1.50 acres are probably worth $100 a piece today; Amoco owns more acres (1.3 million), but Quasar owns

American Quasar Petroleum President Dick Lowe
"To be big you have to find big reserves, and we want to be big."

more *per share*—one acre for every nine shares. This land position, plus some 400,000 acres in the Canadian Overthrust Belt, and 900,000 more acres scattered throughout Louisiana, Oklahoma, Nevada, Oregon, California and western Texas, give the tiny company a big start on becoming the giant it wants to be.

Of course, you can't shoot an elephant with a peashooter and you can't hunt oil and gas in the Overthrust without massive doses of capital. Last year Lowe spent some $75 million to drill 80 wells—five *times* Quasar's cash flow. This year he plans to spend $100 million. How? Enter the U.S. Tax Code.

Through its Can-Am subsidiary, American Quasar sells tax-sheltered drilling programs to wealthy doctors, dentists and the like. In the past, Quasar has put up 15% of a given project's cost; a limited partnership put up the other 85%. If the project was a success, the limited partnership got 60%, Quasar the rest. You can argue whether doctors should be able to find oil with 30-cent dollars. But you cannot debate Can-Am's popularity. Since 1970 it has raised over $364 million for Quasar. It is by far the nation's largest public exploratory drilling fund; it will raise approximately $70 million for Quasar this year.

But what if Congress wipes out drilling's tax advantages? No longer a problem, says Lowe: "Luckily we've gotten far enough down the road that we are no longer wholly dependent on the drilling programs for money. Our internal cash flow ($14 million last year *vs.* less than $1 million in 1973) is much better and will be even better as we begin to develop the fields we have already discovered."

Immediate goal for American Quasar: to increase its asset value to $100 per share, about three times current worth.

Lowe figures that in two or three years he can begin phasing out the limited partnerships altogether. And starting this year, American Quasar will begin putting up 25% of the projects' costs, *vs.* 15% to date; the share of successes for limited partnerships will consequently drop from 60% to 50%.

A sophisticated Quasar *stockholder* might wonder: why? Lowe laughs. "Hell! You sound like one of my executive committee members. The reason is that I am confident we can make more money looking for oil and gas with our *own* capital—why share the equity? If you don't think you can find oil and gas, then you should use those partners forever. It's that simple."

Earnings? Lackluster so far. Quasar reported red ink until 1973; last year's profit of about 50 cents a share hardly
the world on fire. But this year shoul
better. A 100-mile pipeline was comp
ed last December by West Coast Tra
mission Co. and the British Colum
government; Quasar will be able to
about $3.5 million worth of "swe
(nonsulfurous) gas into this conduit. T
will produce profits of about 25 cents
share after taxes. In 1980 or 1981, L
continues, a processing plant will
complete in the same area, enabling C
sar to market over $12 million annu
in sweet *and* sour gas. Total earni
impact: about $1 per share.

For the U.S. Overthrust, Peoples
Co., Columbia Gas System and Coa
States Gas recently asked the gov
ment for permission to build an 8
mile, $430 million pipeline from Uta
a Chicago-bound line; the line coul
completed by the early 1980s.

Dick Lowe says he has this immed
goal for American Quasar: to increas
asset value to $100 per share, about t
times what he believes the compan
currently worth; he believes he can
complish that in five years. If so, L
Lowe's holding in the company woul
worth nearly $100 million—a nice
for a man who earned his college de
on a football scholarship. It's big mo
even by Texas standards. These are g
times—the best of times—for eleph
hunters. ■

OLINKRAFT, INC.

has merged with

JM CAPITAL CORPORATION

a wholly-owned subsidiary of

JOHNS-MANVILLE CORPORATION

The undersigned acted as financial advisor to Olinkraft, Inc. in this transaction.

BLYTH EASTMAN DILLON & CO.
INCORPORATED

January 22, 1979

Today's management techniques are not new to him.

Kieran Fitzpatrick has learned to work with cost control, quality control, flexible production schedules, and increased employee responsibility. Many international companies have shown that innovative management can be very successful in Northern Ireland. It works for Du Pont, Goodyear, ITT, for Grundig, Michelin, Telefunken—for firms of all sizes in a range of industries.

The Northern Ireland work force fits new methods into a manufacturing tradition as old as the industrial revolution. We combine innovation with positive attitudes toward company loyalty, productivity, and labor relations. We apply to the task skills from the basic to the sophisticated.

And to help put all this to work for you, we offer the best overall package of economic incentives in the EEC.

Find out how well we fit your business style. Get the facts from Reg Browne or George McLaren at the Northern Ireland Industrial Development Office in New York. They will quickly tailor an offer of assistance to suit your plans. Call (212) 593-2258. Or write: NIIDO, British Consulate-General, 150 E. 58th Street, New York, NY 10022.

Kieran Fitzpatrick works. He's building a career in electronics at Grundig.

Northern Ireland works.

Here's a little-known Canadian company that has turned a doubtful investment into a big pile of cash. Is Brascan happy? No, worried.

Out of the frying pan

ONE HAS TO LOOK over one's shoulder," says Brascan Ltd.'s Finance Vice President William R. Miller, gazing thoughtfully out his office window at Commerce Court West in Toronto. "Rumors have reached my ears."

What's bothering Bill Miller? Is somebody following him? Is he on somebody's hit list? Not exactly, but there Brascan is, highly liquid, its stock selling way below book value and a beautiful target for would-be acquisitors.

Somebody could come along and offer a 50% premium over the present market price and for about $650 million get $380 million in cash and about $800 million in assets. The stock currently sells for 16 on the Amex, has a book value of around 32, over 40% of it in cash, and has an estimated $2 to $3 a share of earning power on continuing operations. It also has—with its low 1-to-8 debt-to-equity ratio—huge untapped borrowing power.

What is Brascan? How did it get so rich—and so vulnerable? Here's the story: On Jan. 12 Brascan Chairman John H. (Jake) Moore sold $2.5 billion (assets) subsidiary Light-Serviços de Eletricidade S.A., the electric utility servicing Rio de Janeiro and São Paulo, to Electrobras, the Brazilian-government-controlled national power company for $380 million ($210 million cash on the barrelhead, another $170 million by mid-April).

Moore says he's now looking for "a major acquisition" and calls it "a fantastic opportunity."

Perhaps. But for whom? Merger mania is at least as feverish up north as it is in the States. There are no large Brascan blocks outstanding (the largest known public shareholding is 2% of the stock). And Canadian government agencies have proven singularly ineffectual in blocking mergers.

Now some might argue that Jake Moore didn't get anywhere near enough cash for Light in the first place. He liquidated nearly 75% of Brascan at less than half book value; Brascan's equity in Light amounted to $840 million, and Moore accepted just $380 million for it even though Light earned an estimated 10% on its rate base last year. Under Canadian law there's not even the consolation of a fat tax-loss carryforward.

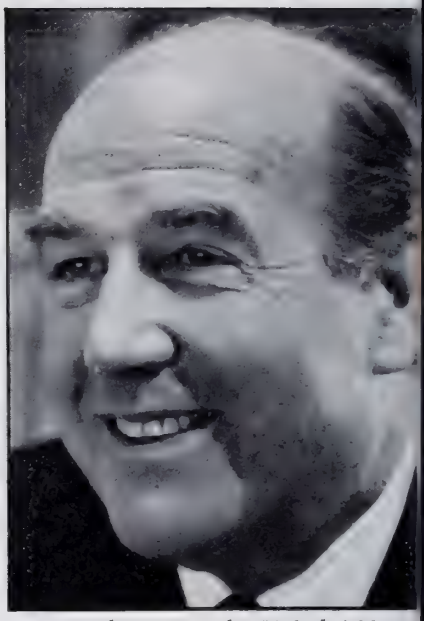
Expropriation? "There was no discriminatory treatment," replies Brascan's Miller. "We were subject to the same regulations as government-owned Brazilian utilities." The fact is, the company was all but forced out of Brazil. It simply couldn't afford to stay the course in the midst of a heavy capital spending program with rate increases kept artificially low by the government.

"We would have had to borrow in excess of $350 million this year, all of it abroad, at an effective cost of over 14% versus the 10% we earned on our rate base last year," he says. "The company has spent in the neighborhood of $1.3 billion over the past five years, and in the process has moved from an underleveraged position by U.S. utility standards to a place where it was close to being fully loaned out and in need of equity funds that we would not be able to raise for a Brazil-based privately owned utility. So the source of that equity really had to be the government." So ended an 80-year-old venture in which Canadian investors originally financed much of Brazil's early utility development through Brazilian Traction, Light & Power Co., Ltd.

The fact is, Brascan has been prepared to sell Light for at least a couple of years now. The company apparently caved in to the knock-down price for fear the new regime which takes over in Brasilia in March might introduce further delays. So Brascan walks away with no more net equity than it had back in 1954—not much to show for the past 25 years' work at that big utility. Better than nothing, though, and management has a chance to try investing, redeploying Brascan's shrunken assets more profitably.

Trouble is, Brascan's diversification record to date isn't very encouraging. The company has about $800 million assets outside of Light, slightly over h of that in Brazil (in part because of c ital repatriation laws), but last y Moore was only able to show a lo 3.8% return on equity on these inv ments, which include mining o ations, real estate ventures, meat pa ing, financial services and brewerie 24% share in Canadian beermaker J Labatt Ltd.). Two recent sizable acqu tion attempts in oil and gas, one inv ing Ashland Canada, fell through.

"We've made some mistakes in te of diversification," Miller conce blaming an excessive number of sm minority investments for the s showing, "but I think we've learned fr those mistakes. Now we're concent ing our efforts in a smaller numbe areas where there's very good mana



Brascan Chairman John H. (Jake) Moore ***"A fantastic opportunity!" For who***

ment in place, where we can have influence on management, and where can be more than just a passive sh holder." Among the admitted mistak a Canadian coal venture on which B can took a $10 million writeoff. Oil gas and consumer goods are more pr ising areas for the future, Miller adds.

There is, of course, Canada's Fore Investment Review Act, which wo probably bar any U.S. acquisition tempt. And there would be nothing prevent Brascan from turning around trying to buy the would-be raider in way that nearly $1 billion (sales) Dom Ltd. recently did with $1.7 billion M Millan Bloedel Ltd.

Nevertheless, Brascan managem continues to peer anxiously over shoulder—like a man with a bulging v let and a gold wristwatch walking do a deserted city street after midni "There's no question," Miller says, "t we are vulnerable for someone who the resources to engineer it." ■

The same InCorp Banker can lease you equipment to dig and lend you money to build.

One InCorp Banker can deliver on all your company's financial needs. He is skilled in the application of leasing, construction financing, appraisals, international banking, factoring and more. All in addition to traditional lending.

As a result, you receive coordinated, efficient solutions to your company's financial needs through a single InCorp Banker, representing a $2 billion multinational financial services corporation. And because the same InCorp Banker can handle your total relationship, you'll save time and money.

Whether you're about to break ground or appraise your plant and equipment, call Paul M. Diesel, Vice President, at (401) 278-5818 or write InCorp at 55 Kennedy Plaza, Providence, RI 02903 for an annual report.

INCORP
INDUSTRIAL NATIONAL CORP.

One InCorp Banker can deliver on all your firm's financial needs.

A financial services company

Industrial National Bank, Prov., R.I. • Inleasing Corp., Prov., R.I. • Ambassador Factors, New York, N.Y. • Mortgage Assoc., Inc., Mil., Wis. • Kensington Mortgage and Finance Corp., Mil., Wis. • Southern Discount Co., Atl., Ga. • Information Sciences, Inc., Prov., R.I. • Westminster Properties, Inc., Prov., R.I. • International Appraisal Co., Fair Lawn, N.J. • INB Appraisal Co. of Canada, Ltd., Ont. • Industrial Capital Corp., Prov., R.I. • Industrial Nat. Mortgage Co., Prov., R.I. • C-O-M Service Bureau, Inc., Boston, Mass.

As I See It

Can the dollar hold its present level? Can th U.S. right its massive trade deficit? No, say one expert with a unique perspective.

Bearish on the dollar

By Norman Pearlstine

BECAUSE JAPAN ships so much more to the U.S. than it buys, Japan last year accounted for about 40% of the U.S.' $29 billion trade deficit. But last month, amidst talk that the U.S. trade deficit would be down this year, the dollar improved nearly 10% against the yen; the recent rate was 200. Is the dollar crisis finally easing? No, says Yoshihiro Tsurumi, 43, an international trade specialist who serves as director of the Pacific Basin Economic Study Center at UCLA's Graduate School of Management. Tsurumi derives this pessimistic view from a unique perspective. A graduate of both Tokyo's prestigious Keio University and the Harvard Business School, he is that rare being: a truly bicultural man, equally at home in Japan or in the U.S., equally able to understand both viewpoints.

Interviewed by FORBES recently, Tsurumi predicted that the current recovery of the dollar will be short-lived and it will be back trading at 180 yen by year-end.

FORBES: *Why are you so bearish?*

"There are three reasons, and they're all related to my view of the U.S. economy. First, I doubt that the U.S. balance-of-trade deficit will be reduced substantially during the year. While a minor recession might reduce imports, I am not optimistic about an increase in exports. Second, the U.S. inflation rate will run 5 to 6 percentage points above inflation rates in Japan and West Germany. Higher U.S. interest rates are now barely offsetting the relative loss of the dollar's purchasing power against the yen and the mark. But as U.S. interest rates peak out, foreign creditors will again try to move out of dollars and into yen and key European currencies. Third, and most importantly, the recent upswing in the dollar was primarily caused by political necessities rather than changes in economic climate. The key industrialized nations wanted to penalize and scare away currency speculators and they were anxious to give the impression of a stable and resilient dollar prior to the December OPEC meeting in Abu Dhabi. Recent capital flight from Iran as well as increased foreign investments in the U.S. have helped the dollar. But without fundamental improvements in the domestic economy and in international trade, the upswing can't be sustained."

And you haven't seen this fundamental improvement in the U.S. economy and in U.S. exports?

"No. Take steel, for example. The U.S. and Japan established the 'reference price' formula last year, effectively increasing the price of imported Japanese steel by 15%. The U.S. government hoped this 'breathing space' would enable American firms to expand market share. Instead, they increased their own prices. That fueled inflation and it led to little reduction in America's overall trade deficit. The market share that American firms could have taken from the Japanese was in fact filled by new steel imports from countries like Brazil and Korea."

Yoshihiro Tsurumi
The upswing can't be sustained.

Why hasn't the more expensive yen led to a greater reduction in imports from Japan?

"Although the yen appreciated more than 30% in 1978, the volume Japanese exports for steel, automobi and household electronics—which gether comprise over 60% of total Ja nese exports to the U.S.—didn't decl appreciably. Japanese exporters were a to cut production costs enough to abs much of the yen's appreciation and some cases they settled for lower pro to sustain volume. In addition, th shifted marketing strategy. Instead selling price, they stressed better quali prompt delivery and product innovati When Japanese firms did lose sales in U.S. it was often to competitors in K rea, Taiwan and Latin America—wh currencies are tied to the dollar—and to U.S. manufacturers."

Jimmy Carter and many economists now predicting that U.S. exports will crease sharply in 1979, greatly reducing overall trade deficit. Is that likely?

"Carter and the economists are lo ing at the overall potential of the U economy. But the answer to that qu tion depends very much on the behav of individual firms in the U.S., not overall potential. And here I am not v optimistic. Foreign countries are alre purchasing all the American agricultu products and industrial raw materi they can absorb, so any increase in ports will have to come from the Am can manufacturing sector. But American firms are structured to expl their potential, especially in the fa growing Pacific Basin area. In the sence of an effective American dri European, Japanese and other nati will snatch away a growing share of t market. Even that section of the Ja nese market that is opening up to fore firms is being exploited more aggressi ly by Europeans than Americans. Am can firms must redirect their efforts ward exports. Otherwise the vicious cle of trade deficits, a declining dollar U.S. inflation will continue."

What a prospect. Ugh!■

"All airlines fly at the same speed
but bad service can make a flight seem longer."
FRANK BORMAN, PRESIDENT, EASTERN AIRLINES

Airspeed isn't a good reason to choose one airline over another. The quality of personal service is.

Eastern Airlines employees are committed to giving you good, hassle-free service.

Your flight seems quicker when things go right. Like being greeted as you board the plane. Or being handed a magazine, instead of having to hunt for one. Or getting a good, hot meal and a second cup of coffee automatically. Or just having a friendly, helpful flight attendant for your section of the plane.

It's all the little things we do for you that affect your loyalty. And not just the things we do in the air, but on the phone and in the airport as well.

When we're helpful on the phone, when we're careful with your luggage, when we try to honor your request for a specific seat, it all pays off for us.

Our philosophy is that our people can't just do a job. They have to really put themselves out for you. And it's helping us win over new passengers and win back old ones.

For the second year in a row, we've flown almost two million more passengers than we did the year before.

We realize there are other airlines out there you could fly besides Eastern.

So if we want you to fly Eastern all the time, and we do, we have to earn our wings every day.

EASTERN

WE HAVE TO EARN OUR WINGS EVERY DAY

It looks dazzling on the field; how does it look in instant replay?

The big play

By Robert J. Flaherty

ROBERT P. JENSEN, chairman of $835 million (sales) General Cable Corp., labored as a tight end with the Baltimore Colts in 1950. His business style reflects it.

He sets off complicated chains of decisions like the kind of football play that is months in the devising and unreels in a few dazzling seconds on the field.

When he quit football at 25, Jensen vowed "to be the chief executive officer of a major corporation by the time I was 40." A mechanical engineer with a degree from Iowa State, he started in sales and quickly moved through Olin, Kaiser Aluminum and Howmet. At 42, he was made president of Howmet, the U.S.' fourth largest aluminum producer. But when France's Pechiney decided to take over 100% of Howmet, Jensen decided he didn't want to be just a divisional boss—and he recognized that the Frenchmen wanted a countryman in his spot. General Cable's directors were looking for a new chief executive and Jensen got the job.

Jensen, a big, burly, fit-looking man of 53, has pulled off the Big Play twice since he took over Greenwich, Conn.-based General Cable in January 1973. The first time was in 1974, and it was a defensive play. He cut back the company's swollen copper inventories, sacrosanct to previous management because of the tax liabilities that would accrue from last-in first-out accounting, and in so doing freed $20 million in cash. Then he sold off General's unprofitable magnet wire business, closed down its beloved but inefficient Perth Amboy, N.J. plant, and sold a losing joint venture in aluminum to the government of Bahrain, thereby canceling a $15 million loan guara offset by no earning assets.

That amounted to getting back to line of scrimmage after the quarterb had been sacked.

His first offensive play in mo from older into newer businesses volved a bold acquisition. Massac setts-based Sprague Electric, a big ma facturer of capacitors for storing releasing energy, was on the block. S gue's erratic history had frightened er suitors, but Jensen knew its ch ered past concealed bright promise 1976 he paid $69 million in cash took on $65 million in Sprague's for 97% of the company. By selling 14% of Sprague's holdings in boom Mostek Corp. for over $10 million reduced the cash cost to $59 mill Not a bad price for a big, promi electronics business. And he still h 20% of Mostek.

After four years of careful plannin quarterback, Jensen uncorked a long ward pass. In 1978 he sold $150 mil worth of assets and securities—a m part of the company—and bought $ million by the end of December. He positioned the company from bein wire and cable manufacturer with s electronic diversification to a high-te nology and engineering services c pany heavily in defense work—and 35% in wire and cable.

His strategy: Squeeze capital f older, low-profit businesses, reinves in newer, faster growing ones.

First, sell off General's unprofita $80 million (sales) power cable busin Proceeds: $58 million, exactly book ue. Then use $106 million in cash acquire Automation Industries, a big ducer of engineering and technical vices (mainly for the Navy). Automat earned $12 million in 1978.

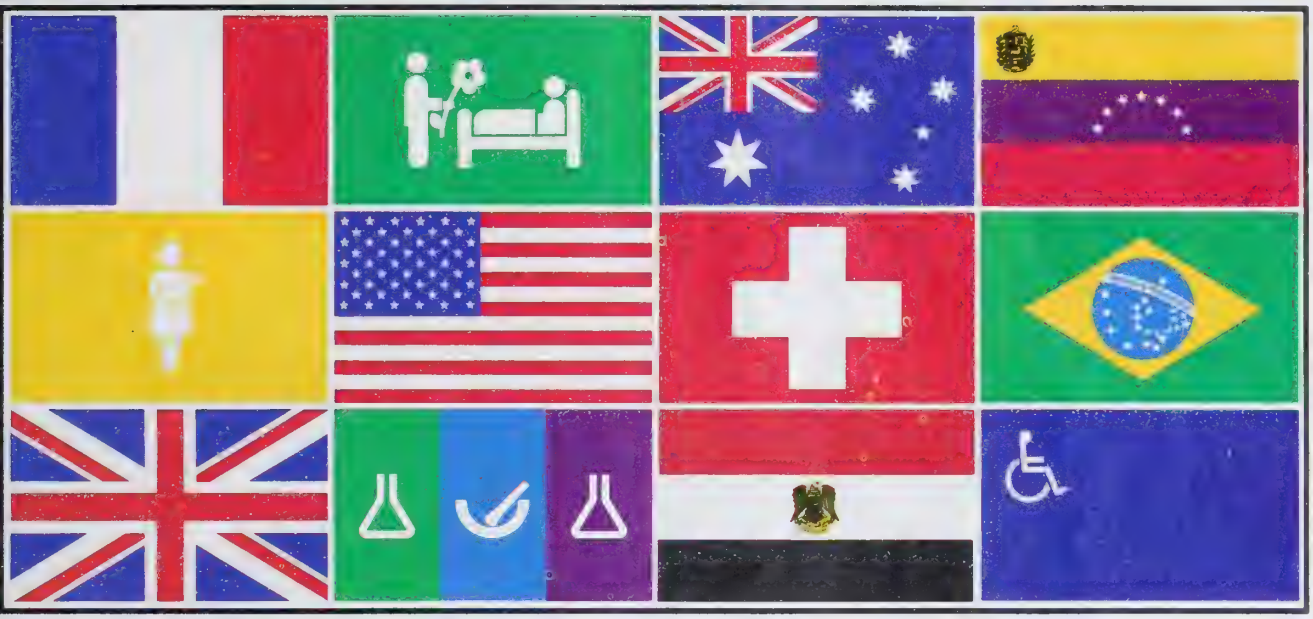
Jensen then had to deal with a dan ous situation where a fumble could h cost him control of his company. Ge al's largest stockholder, British Insula Callender's Cables Ltd., notified Jen it wanted to sell all of its 2.8 mil shares. That was 20% of the compa which, if it fell into acquisitive ha could mean the end of his independe Jensen bought the stock for Gene treasury, financing the deal by sel $53 million worth of convertible pre ence. Since the conversion price is above General's cost, the net result be-to reduce General's common capi ization while seeing to it that the convertible preference shares are wid dispersed. He then sold General's cr holdings in the British company; he to take a book loss of 80 cents per sh but he further enhanced liquidity.

Not all of Jensen's plays worked out December 1975 he made an unfrien move to acquire Microdot, which into the friendly arms of Northwest

General Cable Corp. Chairman Robert P. Jensen
Moving a young team down the field with the skills of a seasoned quarterback.

WORLDWIDE HEALTH CARE

COMMUNITY BY COMMUNITY



All over the world, the demand for high quality health care is increasing. AMI, the leader in international health care services, is growing to meet these needs.

In addition to the 60 hospitals we own and manage internationally, we're acquiring or developing facilities in England, Spain, Egypt, Australia and here in the U.S. We're also providing the widest range of health care planning, technical and managerial systems and services to communities around the world.

Increasingly, we're working on projects affecting nations of people. For example, we're training thousands of paraprofessional medical support personnel in Venezuela. This program will help develop an infrastructure of health care delivery in that country.

Community by community, here and around the world, AMI's 14,000 health care professionals are answering the need for quality health care systems and services. It's a commitment we're growing on.

AMI®
The International Health Care Services Company

American Medical International, 414 North Camden Drive, Beverly Hills, California 90210

Around the world, Ingersoll-Rand machines capture and conserve energy.

In oil fields, power plants, coal mines, processing plants, gas exploration and transmission ... Ingersoll-Rand machines are busy helping people involved with energy. For example:

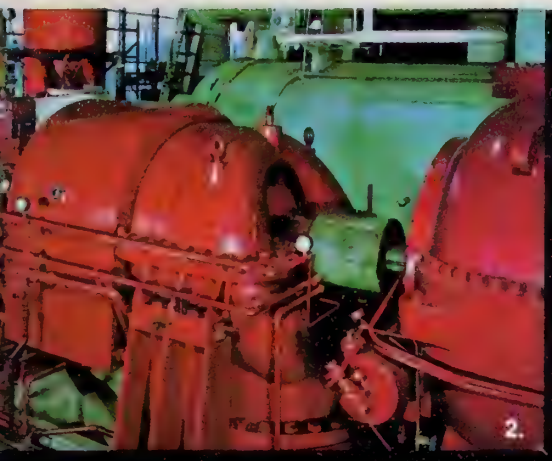
1. Mining coal from deep inside Kentucky. Lee-Norse continuous miners, working in seams as low as 30 inches, can rip loose and load 1000 tons of coal in 8 hours. Productivity like this helps make coal an attractive alternative to oil.

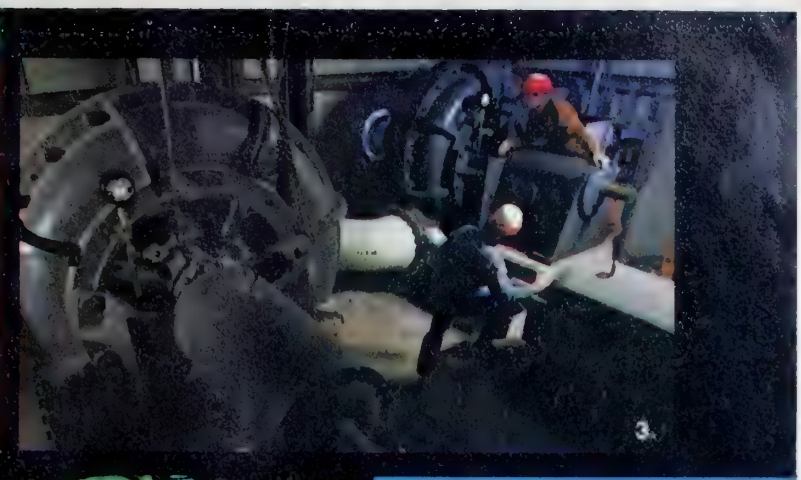
2. Heating and cooling in Connecticut. Twelve Terry steam turbines help supply 29 offices and buildings with steam in winter and chilled water for air conditioning during summer. Compared to having many small systems, this efficient method saves fuel, capital and labor costs.

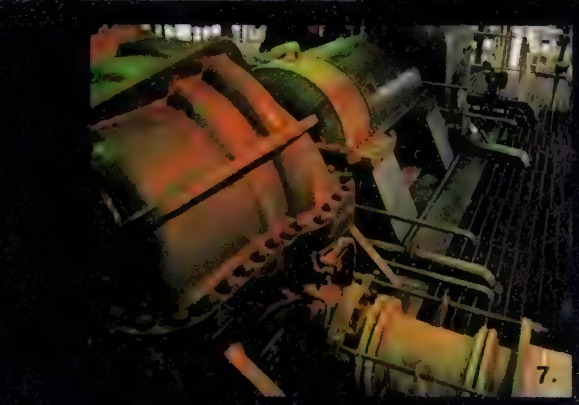
3. Capturing pollutants in Kansas. An electric utility uses these rubber-lined slurry pumps in a system that keeps sulfur dioxide and ash from entering the air. Tough I-R slurry pumps can propel concentrations of up to 75% solids.

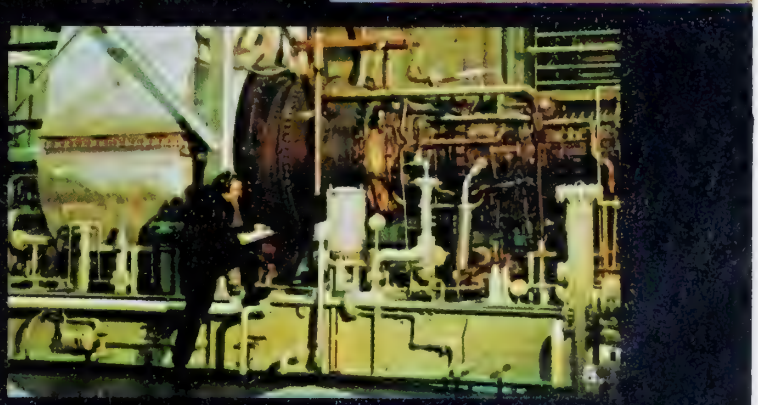
4. Forcing oil up from the North Se I-R turbine-compressor modules pre surize the gas that emerges, and our reciprocating compressors force it b into the ocean floor. This gas then he force out more oil. And it remains in t ground for future use

5. Repressurizing an oil field in the Middle East. Ten 15,000-horsepowe pumps are moving sea water—4.2 mil barrels a day—through a 60-inch pip line to an oil field. There, the water is forced into the ground to help push o additional oil.









Drilling for gas in New York. This pile rock drill sets up and starts drilling ess than an hour. That reduces ex- ation costs, allowing a wider search new sources of supply.

Harnessing waste heat in Tennessee. gases created during fertilizer manu- ure drive a turbine, which in turn vides combustion air for making nitric d. Ingersoll-Rand designed and built entire fuel-saving compressor train

Pumping gas from the U.S.S.R. Six compressor units will help pump viet gas in Austria and Germany to France. Our highly efficient gas turbines have logged a 99.5% availability record, partly because of very fast changeout when repairs are needed.

These are just some of the ways Ingersoll-Rand machines help innovative people capture and conserve energy resources.

In fact, that's what I-R does best: supply technological muscle to make ideas work. And we do it in a big way. Our 1978 sales exceeded 2.3 billion dollars.

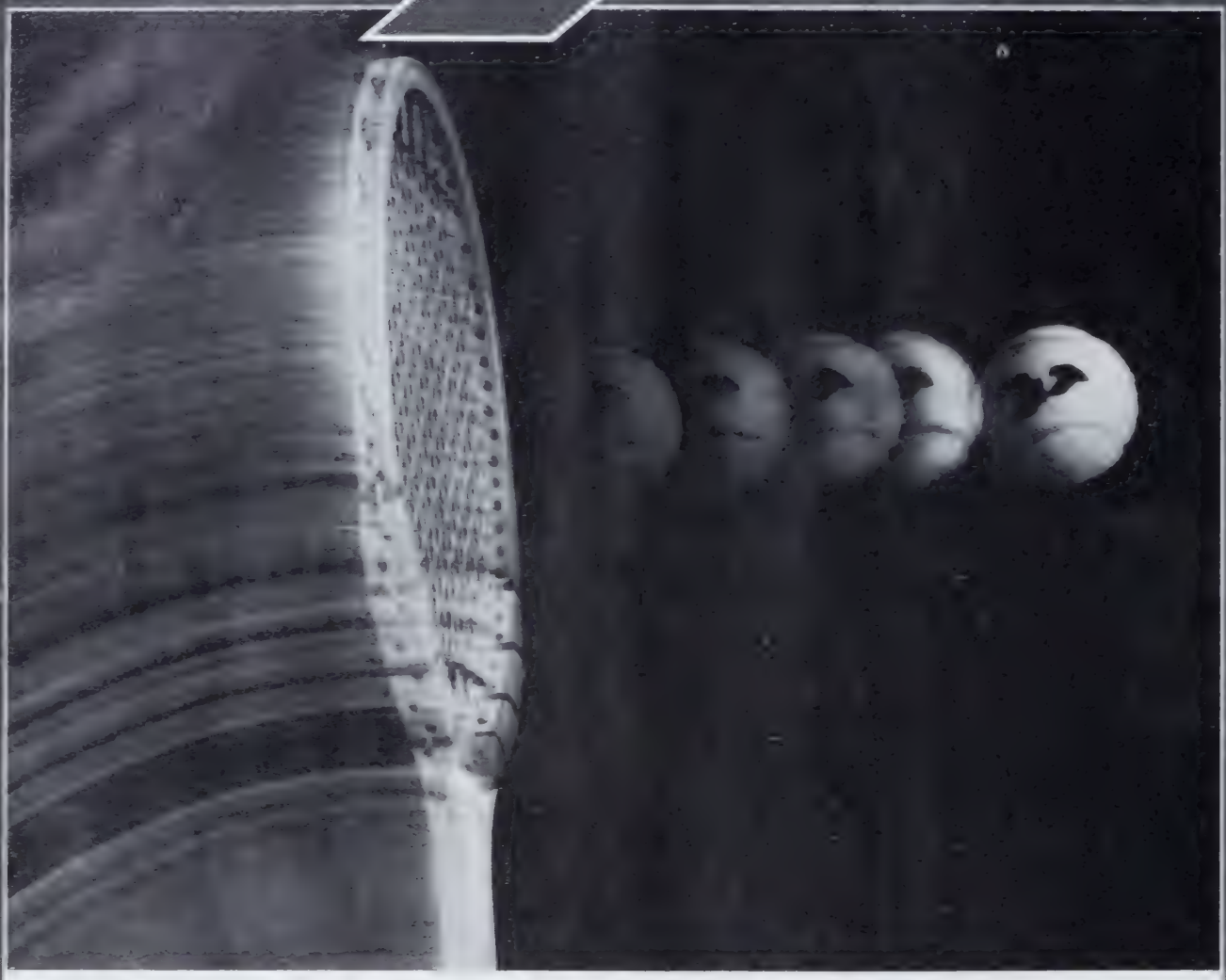
Write for our Annual Report or product literature. Ingersoll-Rand, Dept. A-922, Woodcliff Lake, NJ 07675.

ENERGETIC IN ENERGY

Ingersoll-Rand

National Bank of North America

THE BANK THAT GOES OUT OF ITS WAY FOR YOU



SERVE US YOUR TOUGHEST BANKING PROBLEM!

At North America, solving your toughest banking problem is the name of the game. Our team of banking professionals works closely with you to find solutions to your company's needs.

But in banking, talent has to be backed by muscle, just as in sports. Our team is backed by a Money Center Bank headquartered at 44 Wall Street. As of June 30, 1978, North America became the 35th largest bank in the U.S., with assets of over $3.9 billion. Add that to our financing and service capabilities nationwide and around the world, and you have a bank that can give your company the full credit it deserves.

So when you have a tough banking problem let North America show you how we can provide the winning solution.

CIT **National Bank of North America**

Member F.D.I.C. Over 140 offices in New York City, Long Island and Westchester

ies. Jensen learned a lesson: No unfriendly takeovers.

m a start close to his own goal line, n is now well past midfield and all ndications are that General Cable is to score big. Sprague, which netted $6.8 million the year General Cable nt it, made over $16 million last –a 25% return on General's net in- nent. In 1973, when Jensen took General was 95% in wire and cable; it's 35%, mostly in the booming nunications markets. It used to about 2% of sales in defense; now bout 15%. It's now twice as big. It new, generally young management can get as much as 50% of their salary from bonuses based on ving yearly goals.

1979, last year's efficiency gains d show up in earnings. Sales will exceed $1 billion. Earnings per of at least $2.65 appear to be in the

is when last year's gains uld show up in earnings. s will easily exceed $1 bil- . Earnings per share of at t $2.65 appear to be in the and will break 1966's rec- of $2.32. You just know en isn't going to stop at $1 on sales; a winning quar- ack doesn't take the pres- off now that he's moving all well. As he says, "I can't till very long and wait for gs to happen."

nd will break 1966's record $2.32. he'll have 20% fewer shares for the year versus only the final quarter 78. He'll also have the earnings of mation Industries consolidated for dditional months.

lso will be a quiet 1979, probably no noves. First, Jensen wants to inte- his new men into the team. Sec- nis debt is still too high to do an- acquisition for cash. His short- debt is now down to about $39 n, but he would feel more comfort- with it about $14 million lower. He 't want to do a big stock acquisi- because he feels his price/earnings is too low. At 16½ per share with estimated earnings of $2.65, that l be about 6.

a better stock market, Jensen's ing on the investing public to rec- e General's changed circumstances a much higher price/earnings ratio. maybe he can make some more size mergers. You just know Jensen going to stop at $1 billion sales; a ng quarterback doesn't take the ure off now that he's moving the ell. As he says, "I can't sit still very nd wait for things to happen." ■

Pipeline.

That's British Airways to the Middle East. Because nobody else has 99 flights a week from London to all the major oil and business centers—Abu Dhabi, Amman, Baghdad, Bahrain, Beirut, Cairo, Damascus, Dhahran, Doha, Dubai, Jeddah, Kuwait, Muscat, Teheran and Tel Aviv. Nobody else has as many widebodied TriStars. Or our supersonic Concorde to fly you from London to Bahrain in a bit more than 4 hours. So if you have business in oil country, be sure to take the refined airline. Call your Travel Agent, Transportation Department, or British Airways—and tell them Robert Morley sent you.

British airways

We'll take more care of you.

HIGH INCOME TO HELP OVERCOME INFLATION'S NASTY STING.

Wise investors are making a beeline to Fidelity Aggressive Income Fund. In double digit times like these, it's a very sensible move.

The Fund seeks high income from corporate bonds rated (by pure coincidence) BBB or lower and from unrated issues. Our full-time management considers each an "underrated" opportunity with management strength, sound earnings potential or other positive attributes.

To further fight inflation, there is no sales charge for The Fund. There is an attractive free compounding option.

You'd be smart to learn more today. Return the coupon or give us a buzz.

CALL FREE (800) 225-6190
In Mass. Call Collect (617) 726-0650

FIDELITY GROUP
Over $4 billion of assets under management.

P.O. Box 832, Dept. JB 021979
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____

Address _____

City _____ State _____ Zip _____

Retirement Plan Information
Keogh ☐ IRA ☐ 403B ☐

FIDELITY AGGRESSIVE INCOME FUND

How do you recover $20 billion in fuel with 20-million-year-old fossils?

ons of dollars' worth of precious oil lies deep
ıin existing American oil fields. But by using
fossilized aquatic plants, processed into a
r aid called Celite,® Johns-Manville is helping
oil to flow forth.

The easy-to-get-to oil was pumped out first.
difficult-to-extract remainder is trapped in
l and shale. Water flooding and steam injec-
can push it out—but, preliminary filtration of
water is essential. As the water passes through
microscopic pores of the Celite, foreign parti-
are trapped. So they don't clog up the oil-
lucing strata and close off the flow of oil.

In essence, the simple filtration of water is
ing solve the complex energy crisis.

Oil recovery is only one of the amazing uses
iatoms. Celite also facilitates the recycling of
e water and is used to clarify beer, wine,
icines, swimming pool water, restaurant cook-
ils and dry-cleaning solvents. These are just
a few examples of the innovative thinking that has brought Johns-Manville to the forefront of the filtration industry.

In addition, J-M is a worldwide manufacturer of fiber glass products, non-fiber glass insulations, pipe products and systems, roofing materials and industrial products. We also mine and process asbestos fiber and other non-metallic minerals. And each business segment is backed by a company with 120 years of experience.

To discover more about a $1.5 billion company that can put its problem-solving capabilities to work for you, write Johns-Manville Corporation, P.O. Box 5705-J, Denver, Colorado 80217.

JM

Johns-Manville

Ideas to build on.

Faces Behind The Figures

Gnome of New York

"I don't think you can talk in terms of a *winning* strategy," says Kurt F. Viermetz, vice president of Morgan Guaranty Trust Co., talking about the foreign exchange market. "The strategy is to cope with exchange market developments on a minute-to-minute or day-to-day basis."

Viermetz is the man to ask: Morgan is a whiz at foreign exchange trading. Last year, it reported foreign exchange trading profits of more than $56 million, up 30% from 1977, accounting for nearly 7% of the total operating income of parent J.P. Morgan & Co.

It's not just the gnomes of Zurich traders must contend with. "Banks like ourselves," says Viermetz, "may short the dollar one minute and be long the next. This is absolutely necessary to support the market in order to have, at all times, the possibility of executing our clients' business."

With Morgan Guaranty and other banks doing so well in exchange trading, you'd think there would be some big losers. There aren't, says the 39-year-old native of Augsburg, Germany.

"The popular idea is that it is a zero sum game," he says, "but the other side of the coin is, first and foremost, opportunity losses by, for example, an exporter who sells his Japanese yen right away deciding he doesn't want to take any exchange exposure. Also, there may be losses central banks take very consciously to provide support for a public policy defined by the country." So, the taxpayers pay—but don't they always?

Viermetz says he judges a trader not on how much money he or she makes, but on how they cut their losses; in currency, as in the stock market, you just can't buck a trend.

Kurt F. Viermetz of Morgan Guaranty Trust Co.
The market is minute to minute and the strategy is to cope.

R.I.P., Bill Zeckendorf

The first big postwar bust—the failure of William Zeckendorf's awesome assemblage of real estate holdings and development dreams, Webb & Knapp Inc.—is about to pass into history after nearly 14 years in bankruptcy court. When the late promoter's real estate venture went to the wall back in 1965, the monumental job of figuring out what was left and who would get it fell to Mortimer M. Caplin, a Washington, D.C. attorney who had served as Commissioner of Internal Revenue in both the Kennedy and Johnson Administrations.

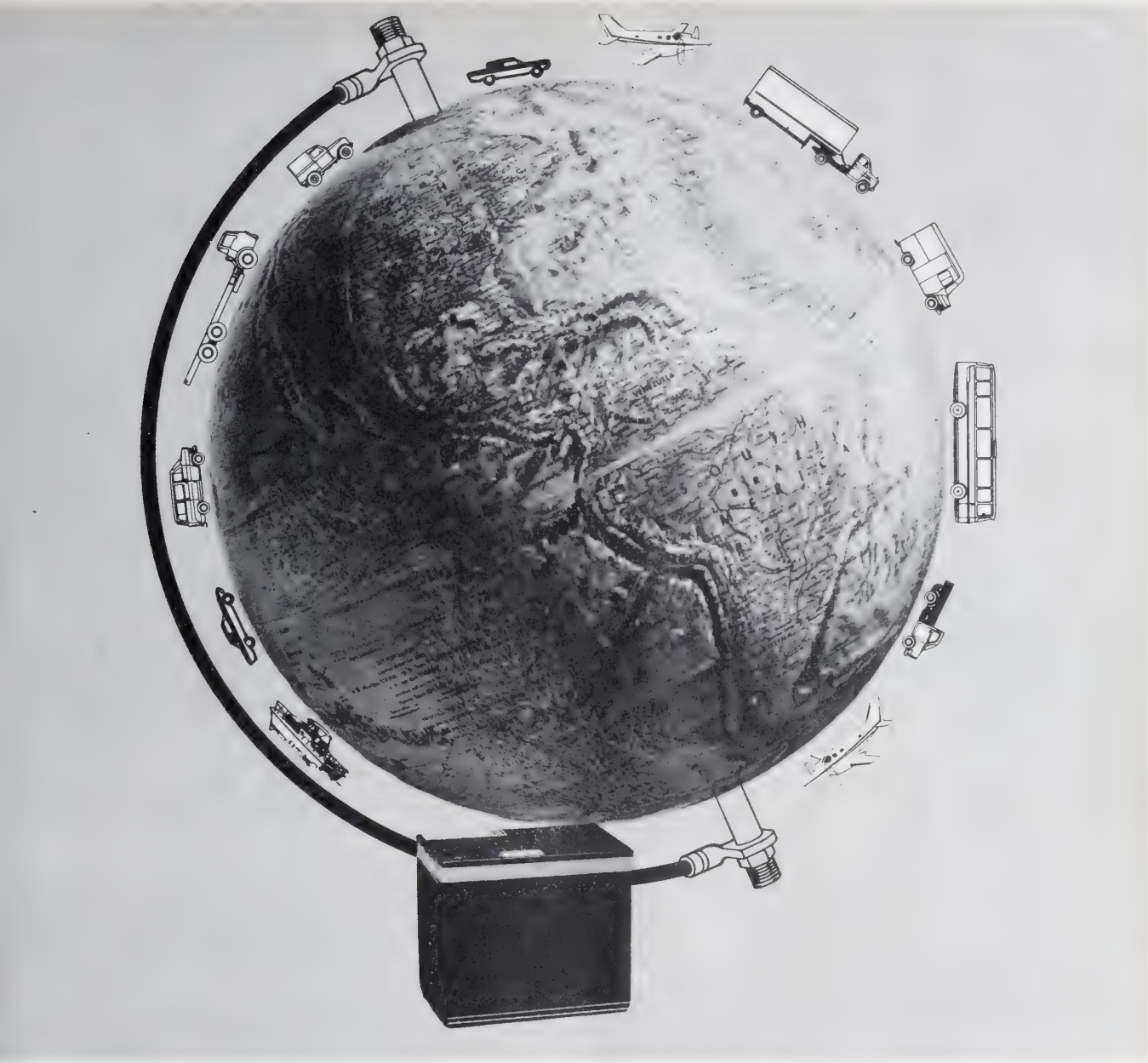
With the final papers that will end the bankruptcy about to be filed, Caplin, now 62, recalls his first visit to the legendary developer. By the time Caplin made his way up the cylindrical elevator to Zeckendorf's circular Madison Avenue penthouse office, everybody else had gone home.

"We were all alone and it was very poignant," says Caplin. "He was a proud man, but I needed his cooperation to unscramble the messy books." Here,

Webb & Knapp trustee Mortimer M. Cap
After 14 years, 8.5 cents.

humbled, was the man who had court at splendid meals from his pany's private kitchen and wine c had spawned such development Washington's l'Enfant Plaza, Den Mile High Center and Montreal's Ville Marie and had owned the Chry Graybar and Paramount building New York among countless tracts properties. At first Zeckendorf coop ed, but later his arrogance and cun reasserted themselves. In the end C had to bring suit against Zecke himself, and he finally settled for a $1 million.

When Caplin took over, Web Knapp had $21.5 million in assets only $3,405.35 in cash in the bank. bilities, including a federal tax clai about $30 million, totaled nearly million. One of his first tasks as tr was to use his knowledge of Washin ways to settle the IRS claim. The ag ultimately accepted $2.75 millio about 8 cents on the dollar. All unsec creditors wound up with 8.5 cents o dollar and the common stockholder nothing at all. Along the way Caplin to contend with tons of rubbish in houses, including file boxes of Zec dorf's uninteresting doodles. They burned. Meanwhile, the firm of C and Drysdale has been making the by using the Freedom of Information to procure thousands of IRS docum on behalf of clients accused of civil criminal tax fraud, in order to, if not



Every day the whole world *Starts with LEAD*

Most of the internal combustion engines on earth and flying above it get their start from lead-acid storage batteries.

Cars, trucks, buses, ambulances, fire engines, aircraft, ships, boats, farm machinery, construction and materials handling equipment—a large part of all transportation depends on this basic power package—the lead-acid battery.

Today, an increasing variety of equipment such as power tools, golf carts, lawn mowers, portable pumps are being driven with electric motors powered by lead-acid batteries. And there is a growing trend toward battery-powered on-the-road vehicles.

Emergency lighting systems rely on lead-acid batteries and large battery banks are currently being studied in our nation's energy program as a means of load-leveling to maximize efficiency for electrical utilities.

Modern battery design gives today's lead-acid batteries more power, less weight and better life—at lower cost than ever before. Today's new batteries deliver up to 70% more ampere hours of work than the same size units of 1958 while average cost is up less than 10%.

Furthermore, the Maintenance-Free battery technology which St. Joe helped develop has made the lead-acid battery an even better, more versatile power source.

Lead is a vital material for today and for the future.

ST.JOE
LEAD COMPANY
Division of St. Joe Minerals Corporation

7733 Forsyth Blvd., Clayton, Mo. 63105 Tel. (314) 726-9500 A BASIC SOURCE

We're in business with you for our second hundred years

927

Stress ribs disfigure a printed coffee can so it looks like this. Not very pretty.

Beautifully printed IP paper label covers this can so it can have more stress ribs and less steel.

How International Paper gives the wrinkled can a face lift—and helps food processors save a pretty penny

Those wrinkles you see around cans are stress ribs.

Canmakers press them into cans to make them stronger.

There's a limit to the number of ribs a food manufacturer can tolerate on his can, because he wants it to be readable and look enticing on supermarket shelves.

More ribs, less metal

But if more ribs could be engineered *into* the can, less metal would be needed *for* the can. And that could save food processors money.

Keeping a warehouse full of cans for different brands, promotions and sizes ties up a lot of money, too.

The Coca-Cola Company Foods Division faced those problems with its coffees and posed them to International Paper.

IP's packaging experts came back with a money-saving idea that was remarkably simple: *cover that can with a beautifully printed paper label.*

IP's idea offered Coca-Cola Foods many attractive advantages:

1. Savings on metal. They could replace their can of heavy-gauge ribbed steel by using a less expensive can of lighter-gauge steel with *more ribs.*

2. Less inventory. Instead of having to carry high inventories of printed cans of many different

IP paper labeling lets processors keep an inventory of many different labels instead of many different cans. A big savings in storage space!

kinds and sizes, they could just store the necessary sizes of unprinted cans—and keep on hand their inventory of printed paper labels in a smaller space.

3. More readable label. Stress ribs distort graphics on printed cans and make them less attractive on supermarket shelves. With stress ribs covered, the label is easier to read and can have more sales appeal.

4. More marketing flexibility. Printed cans call for more advanced planning and a big investment in special cans. With paper labels, product managers could react to changing market conditions more quickly and get price-off or other promotions on shelves faster.

IP's experts showed Coca-Cola Foods how our high-speed presses can print labels with all the mouth-watering realism of the finest photograph.

We showed them our versatility. IP can print labels for almost any package anyone puts out. For food products like coffee, frozen juice, salad dressing, soup, peanut butter; or other products like bar soap, dishwashing detergent, motor oil, household cleanser and fabric softener. Even wine.

21 different combinations

Coca-Cola Foods put IP's idea to work. Now they save with IP labels on 21 combinations of grinds and sizes for their Butter-Nut and Maryland Club brands.

A beautiful paper label to cut costs on metal cans is only one example of International Paper's creative solutions to our customers' problems in every industry—from food processing to meat-packing to building to publishing to energy to hospital supplies and many more.

May we help you?

INTERNATIONAL PAPER COMPANY

[illegible] EAST 42ND STREET [illegible]

Faces
Behind The Figures

else, slow their progress to the pokey.

What sank Zeckendorf? A couple of things, says Caplin. For one thing, his banks carried him too long because, like all the believers, "they were looking for another home run." For another, Zeckendorf, whose talent was promoting big dreams, got bogged down in operations. "He should have let others make that last dollar."

No bowl of chili

When it comes to chili, Bernard Z. Lee (everybody calls him B.Z.) takes the view you might expect of a native New Yorker transplanted to Texas: He likes it strong. The managing partner of Seidman & Seidman, one of the top accounting firms in the second-seven category right behind the Big Eight, says, "I like 'mad dog' style, the strongest of all. It takes a highly developed palate to handle it."

His views on the equally hot issue of self-regulation of the accounting profession are also strong: Lee is a backer of peer review of accounting firms. That's the system by which various aspects of a firm's procedures are examined critically by a team made up of accountants from other large and small firms.

Of his own firm's experience with a peer review, the 53-year-old Lee says: "We were good to start with, but we're better now." Other accountants' objections to the process range from fears about revealing trade secrets to competitors to the feeling that things are fine the way they are. But tough-minded practitioners like Lee recognize that if the profession, through the American Institute of CPAs and the Financial Accounting Standards Board, doesn't come up with an acceptable system of self-regulation, the feds—in the form of the SEC or some congressional committee—will saddle the profession with bureaucratic policing.

Lee also favors the controversial restructuring of the AICPA, under which a firm that audits SEC-regulated clients can be subjected to discipline by the institute, even leading to loss of qualification. Until now, the institute did not go after firms, only individual accountants.

The new structure, Lee says, "sets up a sanction. Directors will want to know if a firm is a member in good standing of the SEC division of the institute before they hire or renew an auditor."

Will the profession swallow such spicy stuff? "I think the profession will do what it must that's reasonable and possible if given the time to do it," he says.

Seidman & Seidman's Bernard Z. Lee
In matters of self-regulation and chili, it's a matter of taste.

A good learner

"We have to be sure that we can build better quality cars than the American ones," says Toyota's Seisi Kato, explaining, not too delicately, why his company has shelved, at least temporarily, its plans to open a U.S. plant. Kato is president of Toyota Motor Sales Co., worldwide sales arm of Toyota Motor Co. of Japan. His lack of confidence in American workers is evident in his comment.

But Toyota has a problem. Like Germany's Volkswagen, Toyota has found it necessary to hike prices (four times last year) because of currency fluctuations. "Export is and always will be the essential part of our business," says the 71-year-old Kato. "The U.S. is the number one customer, but it will continue to be difficult as long as the yen continues its upward trend."

Seisi Kato of Toyota Motor Sales Co.
The strong yen makes export tou

The Japanese are fast learners. himself learned from General M Through a tennis-playing buddy, met a General Motors manager in in 1930 and soon found himself a jo stock clerk with GM. Five years when then weaving-machinery pro Toyota decided to make cars, it r GM's Japan operations, getting, a others, Kato and Shotaro Kamiya, chairman of Toyota Motor Sales.

Toyota first exported to the U 1958. Kato recalls driving one of cars on a Los Angeles freeway and b being able to stay out of the way c bigger, faster Detroit iron. "Ours just toys then compared to the Ame cars," he says. Before price incr lowered demand, Toyota could not ply the U.S. with cars fast enough.

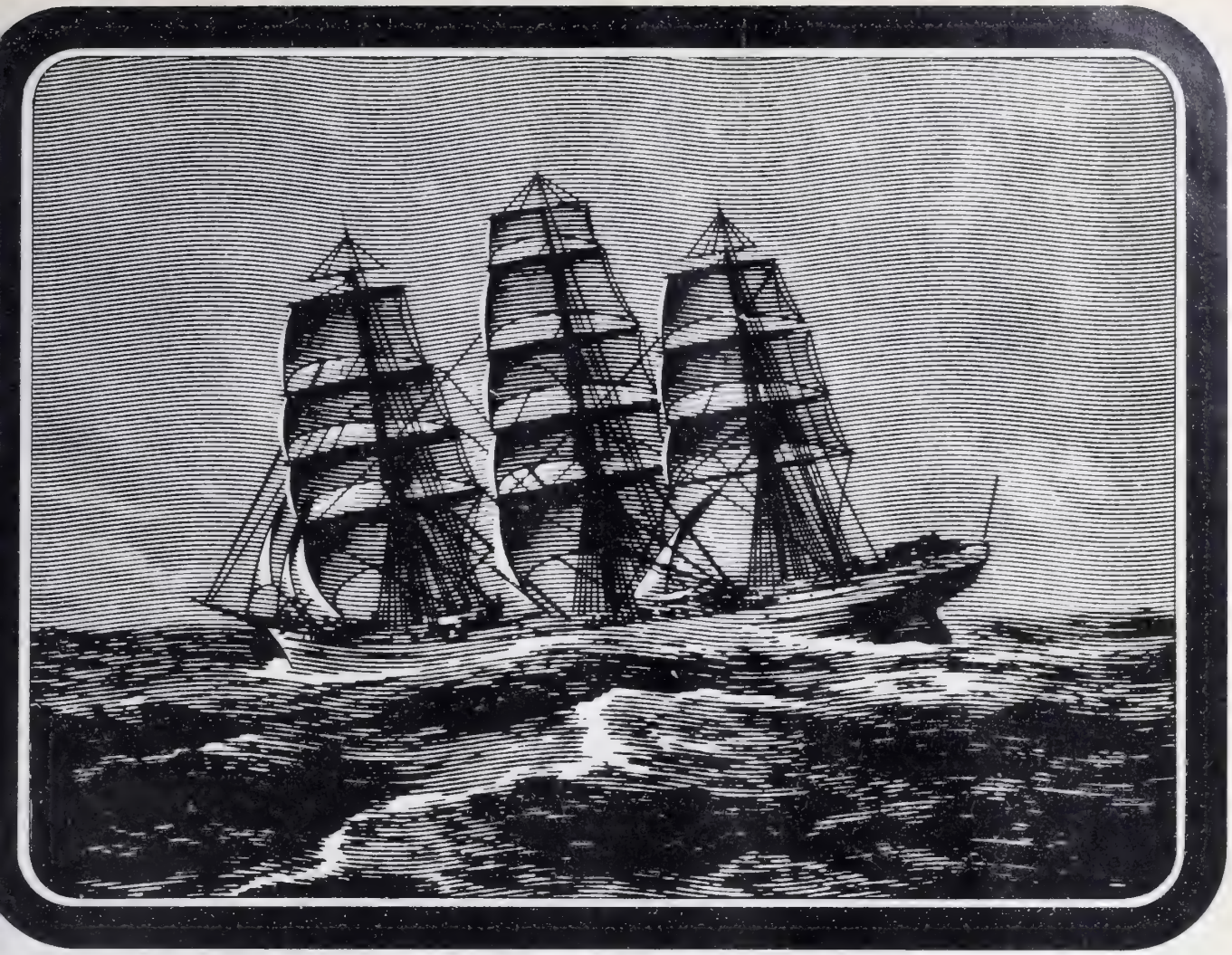
Well, there's always Japan's neighbor, China. Last year, Toyota more than 1,200 vehicles there, m trucks. Unfortunately, he says, the ket is not likely to grow at a quick "The Chinese open their hoods check everything each time they s he says. "The way they maintain vehicles, they could last for decades

So planned obsolescence won't there, but the Japanese will find a w

A timely trip

One of the big winners in the arbi derby last year was Guy P. Wyser-P head of Bache Halsey Stuart Shield bitrage unit. His salary, based or firm's arbitrage profits, was $864,8 over five times what Bache boss H A. Jacobs Jr. made. His secret: kno when to take a trip.

Wyser-Pratte's kind of arbitrag course, is playing the spreads on t



Does anybody out there remember good old American know-how?

Farrell Lines never forgot.

At Farrell Lines, we've got more than 37 sleek, modern ships going for you—we've got a 52 year tradition of Yankee ingenuity. That's helped some of the biggest shippers in the business.

Like the huge petroleum company whose flammable liquids we figured out a safe way to load and ship.

Or the giant manufacturer of a chemical so smelly no other line would touch it—till we helped devise a virtually leakproof packaging system.

Or the car company whose overheight tractors kept getting bashed in on top—till we stepped in with a labelling and checking system that meant no more accidents.

With our right good crew of specialist experts—in commodities, containers and cargo safety—we like to think we have a talent for taming tricky cargoes. And taking the best possible care of conventional ones.

And now that we've added the American Export Lines service to Farrell Lines, there's almost no place in the whole wide world we can't go out of our way for you.

In the Tradition of Great American Seamanship.

FARRELL LINES
INCORPORATED

One Whitehall Street, New York, N.Y. 10004 (212) 425-6300

Faces
Behind The Figures

offers and mergers. The arbitrageur makes his profit on the difference between the purchase price of the stock and the price an acquirer is willing to pay. If the deal falls through, you can lose the profits of ten previous deals, but if a fight breaks out, like the one between United Technologies and J. Ray McDermott for Babcock & Wilcox, you can make a killing.

During the first three quarters of 1978, so many tender deals closed that even the amateurs were ahead. But by October, investor confidence had slipped and prices slid even on the deals that looked certain to go through.

It was so bad, says the 38-year-old, "I took time out and escaped to Paris." Had he stayed around he might have been frightened into closing out his positions instead: "On the day after I left, the President announced his moves to strengthen the dollar, and the arbitrage stocks bounced back. I had the best December ever and a great year."

French-born Wyser-Pratte learned the business from his father, who ran the New York-based family firm until 1967, when he sold it to Bache. His son has run Bache's arbitrage business since 1971.

Even with 1979 starting off with the promising but risky (for arbitrageurs) bid American Express made for McGraw-Hill, Wyser-Pratte still has time to toss a few barbs at the "socialists in Washington" whom—rather than his own kind—he blames for the takeover wave. "Washington has created an environment where investors have little confidence while companies find it cheaper to buy stocks than build new plants," he complains. Instead of improving the business climate, he says, the bureaucrats want to block all large mergers and takeovers. "[They want] to ban last year's greatest source of investor liquidity and profit," he adds. So he's crying all the way to the bank.

Bache arbitrageur Guy P. Wyser-Pratte
His pay is five times his boss'.

Bill Sheriff of Truckstops of America
The greasy spoon gives way to big business.

Bogart wouldn't believe it

On a stormy night on Interstate 70 in Effingham, Ill. as many as 150 diesel trailer trucks may be idling in the parking lot at Truckstops of America, one of 26 truckstops owned and operated by $1.1 billion (sales) Ryder System, Inc. Inside a roomy main building on the 15-acre property, truckers are playing pinball or pool, swapping tales of the road and sorting through the general store's wares—items like pointy-toed cowboy boots, lumber jackets, workshirts, belt buckles, CB accessories and the latest country-and-western tapes, not to mention tools, truck parts and tires. And since truckers are always supposed to know the best places to eat, the restaurant, open 24 hours daily, draws a crowd where "fourwheelers" (that's trucker talk for the ordinary motoring public) are kept separated from the kings of the road. Nearby, truckers can also spend the night at Truckstops' full-service mo

If all this sounds more like big bus than the grimy diners of 1940s I phrey Bogart movies, that's because In 1978 Ryder's truckstops ave about $7 million apiece in sales, wit entire chain accounting for some 1 Ryder's revenue, but only 4% of p earnings. Trouble is, Truckstop America gets most of its revenue pumping diesel fuel, a low-profit ness. (Last year they sold in excess million gallons.)

Bill Sheriff, 36, president of the ville-based subsidiary, came aboa 1973 when Ryder bought two New co truckstops Sheriff and his Uncl owned. The laconic New Mexican like to get away from that overwhel dependence on fuel volume. Sheri plains, "Our opportunity for imp ment of profits has to come from oping other profit centers that are a tive to the clientele that is already us." That accounts for the prolife of cowboy boots and CB stuff.

Sheriff is also pruning location instance last year he sold off low-vo truckstops in Clearfield, Pa., Roch N.Y. and Santee, S.C. (The South C na property was purchased by a lic who still uses the Truckstops of Am title.) The new Effingham acqui has the advantage of being at the roads of Interstates 70 and 57.

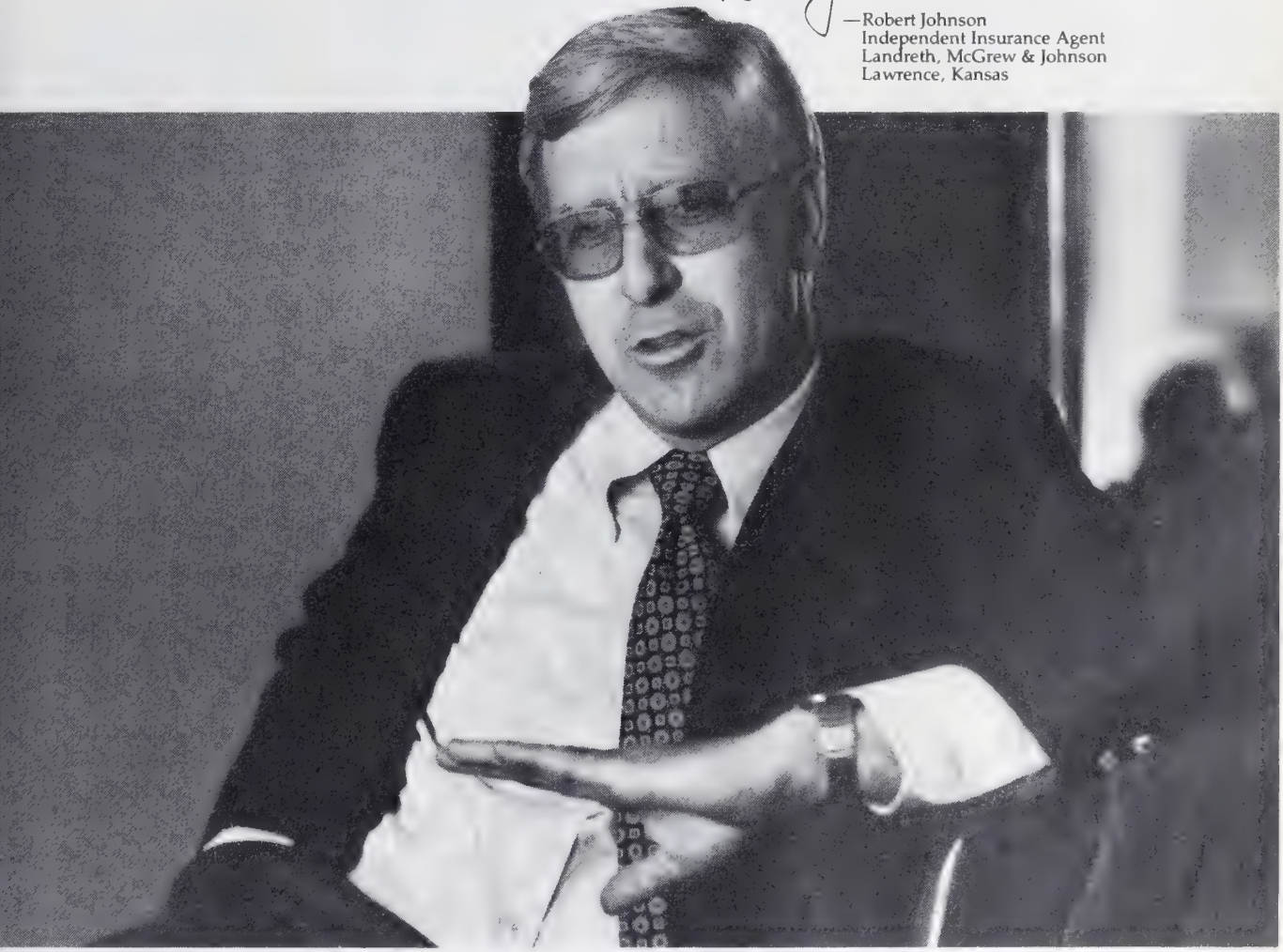
Ryder people believe there will s another rainbow in their oil spil growing number of diesel-powere on the road—Mercedes, VW Ra Oldsmobiles and Cadillac Sevilles. drivers presumably will buy co boots, too. ■

CNA believes working with agents is one of the most effective ways we help keep insurance affordable.

"I don't deal with CNA's computers. I deal with CNA's people."

A big insurance company like CNA needs its computers. But this is a people business. And, to help me and my clients here in Lawrence, I need CNA's people. People who listen when I tell them about my clients' special problems. People I can count on to come back with an answer. After all, it's my job to understand my clients' needs. I deal with CNA because they have people who are willing to do the same."

—Robert Johnson
Independent Insurance Agent
Landreth, McGrew & Johnson
Lawrence, Kansas



INSURANCE FROM CNA

Judge us by the agents who represent us

Continental Casualty Company/Continental Assurance Company/CNA Plaza/Chicago, IL 60685

Wilderness and Multi-use lands. Can they live side by side in the public forest?

At Potlatch, we recognize the need for Wilderness areas. Areas where "man is a visitor who does not remain." It is part of our heritage that deserves to be protected.

But we must also look at Wilderness areas for what they are—places where roads and motor vehicles are barred, where nearly all types of structures and facilities such as campsites are forbidden, and where timber harvesting and other commodity activities are prohibited.

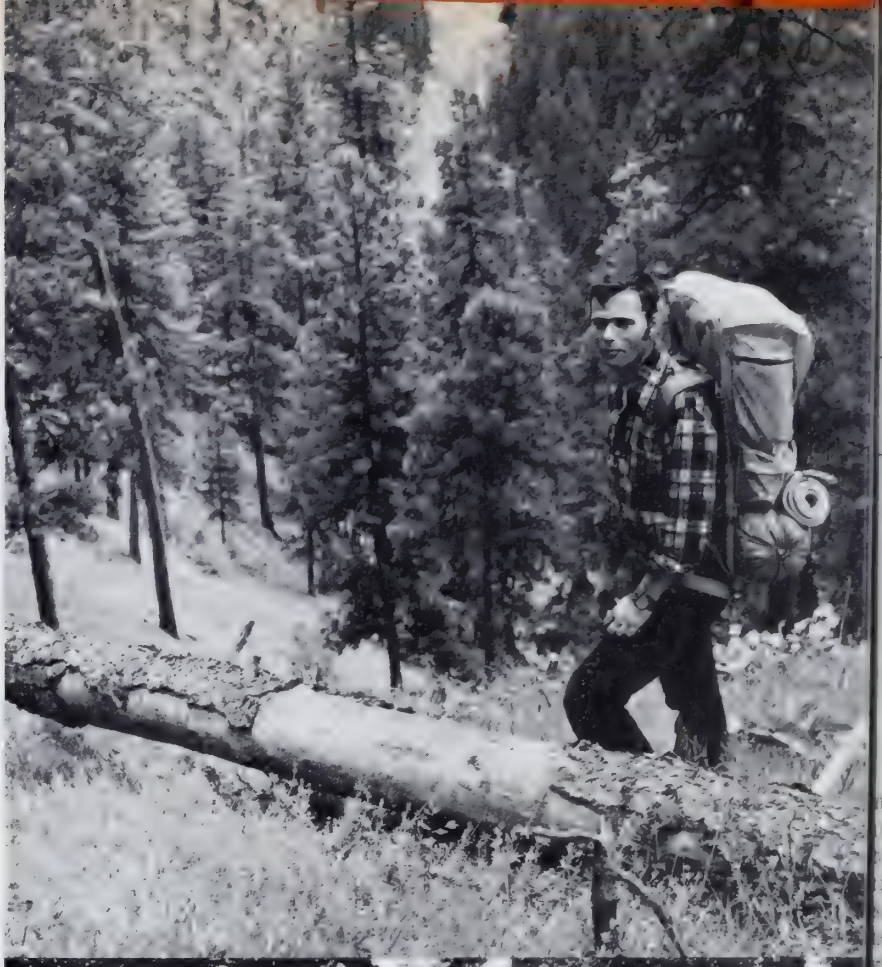
For all the romantic allure, the Wilderness attracts very few people, since they can only venture there on foot, horseback or by canoe.

Multi-use public forestlands, on the other hand, serve a much broader segment of the population. Here, campers, snowmobiles and outboard motors are allowed, improved campsites and timber harvesting under government regulation are permitted.

The continuing expansion of the Wilderness through legislation, at the expense of Multi-use lands, threatens eventually to remove from America's timber resource any hope of meeting America's growing need for either forest products or modern group recreational activities.

Wilderness. Multi-use. Potlatch believes, with balance, we can have all we need of both.

Potlatch Corporation, Public Information Office, P.O. Box 3591, San Francisco, CA 94119.



Potlatch

We grow the working trees.

Productivity's price

CARTER, like Dick Nixon before
s making a big deal about produc-
saying that because productivity
sing much, the inflationary pres-
re all the greater in the U.S. That
sense. If an incremental worker
t produce any more goods than the
e existing worker, there won't be
ins in efficiency out of which to
e a higher living standard.

numbers *are* kind of scary. In the
fties, productivity was growing
a year. What did this mean? To
fy, it meant that if a company em-
100 workers and added 5 more
ear, its output increased not 5%
4%. There was real growth out of
to pay higher wages as opposed to
inflated wages. By 1977, U.S. pro-
ity was increasing only 1% per
ast year, nearly zero. This meant
get 5% more unit output, a busi-
ad to add 5% to its work force; no
tivity dividend at all.

bad news about productivity is
hing endless speculation and pro-
large amounts of barnyard ma-
Are Americans losing the work
Is a service economy less efficient
manufacturing economy? What
his mean for our quality of life?
c., *ad nauseam.*

nmy Carter and his White House
ally want to know why produc-
no longer growing faster than the
force, he and they need look no
than the report of the President's
ouncil of Economic Advisers. The
oints out that when high priority
n to social legislation—to environ-
improvement and equal opportu-
rograms for instance—the regula-
always costly; it requires addi-
manpower. And the benefits are
not always comparable with the costs.

Let's say the cost *does* justify the tighter standards, then what happens? The CEA warns it is likely that first will come expensive and extensive litigation, hardly the behavior to achieve more productivity. Lawyers' briefs don't make more shoes. Some of the new laws, the CEA adds, are even written so that specific technology is required; thus efforts to find other, perhaps more efficient, means of production are precluded.

Such law, in effect, inhibits progress.

Now we see the problem. How does it work in real life? Giant General Motors, which has been keeping tabs since 1974, is now spending $1.1 billion a year on meeting government regulations—not including sums for improving fuel economy or fitting antipollution devices on every auto. That's the equivalent of 23,750 full-time employees out of GM's total employment of 800,000 doing nothing but working to satisfy the demands of public interest groups.

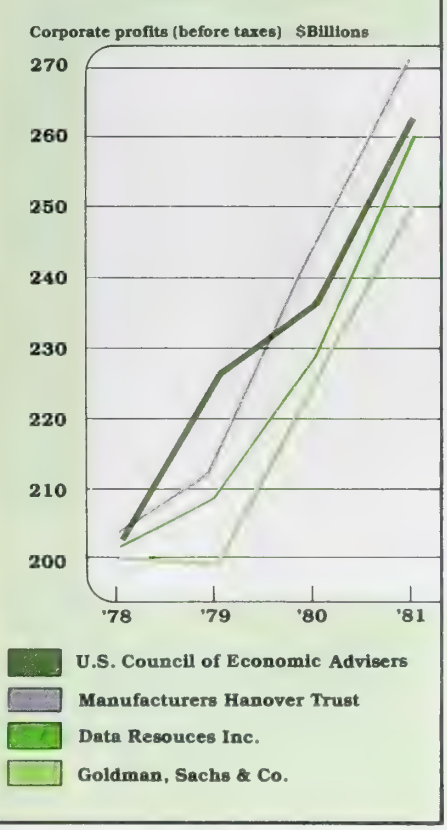
The Environmental Protection Agency boasts that it created an estimated 150,000 *additional* jobs at 25,000 companies in 1976 to operate and maintain water pollution control equipment. The number of jobs added by clean water mandates rose to 500,000 at the end of 1977 and may well top 1 million by this year out of this country's total employment of 94.8 million.

That, for only one type of environmental activity. None of these persons contribute to expansion of capacity. Recycling of bottles in Oregon added 365 jobs—not to produce more bottles, but to handle, collect, clean and return used containers.

Is this bad? That we are providing more good-paying jobs, keeping the air cleaner, righting social wrongs and being more thoughtful of the handicapped? Not at all. It means we are concentrating less on quantity of goods and more on quality of life. But we must realize we are paying a price for it. And if we are going to insist on righting in a few years the wrongs of decades, if we are going to seek justice solely through regulation by Big Brother, then we are going to continue to risk losing ground economically to more pragmatic people like the Japanese. ■

Profits and prophecies

The chart below tracks forecasts of corporate profits over the next few years made by some authoritative private sources and by the President's Council of Economic Advisers. The Council is virtually alone in its optimism about 1979. Longer term, the others catch up.



The reverse mortgage is a novel idea. It has merit. Only you can decide if it is worth the additional debt risk.

LIVING ON YOUR HOME EQUITY

By Ben Weberman

How Many Times have you heard someone say, "The best investment I ever made was in my house; it's the only asset that has increased in value through the years"? Until now, not too much could be done to make this "investment" pay off. Sell the house? Where would you live, in some high-priced apartment? Take a new, big mortgage against the house? Interest would eat up much of the cash.

Okay. You have a house purchased in 1948 for $15,000. Next year the mortgage is paid off. The house could easily bring $60,000. What do you do?

Look into the new concept of "reverse annuity mortgages" authorized last December by the Federal Home Loan Bank Board for federal savings and loan companies. They come in two varieties. One is truly an annuity. The home owner borrows a large sum against his equity and uses that cash to buy an insured annuity. The second is a plain "reverse" mortgage arranged with a lending institution. The thrift association agrees to advance a specified sum monthly to the home owner, thus *building* mortgage debt.

I don't like the insured annuity type very much because it involves assumption of a large mortgage in order to get money that will buy an annuity from an insurance company. Unless you are over 70 years old, the insurance company will pay you hardly enough each month to cover the interest on the mortgage.

A reverse mortgage sounds better to me. This, too, has pitfalls. These mortgages accumulate so much debt as time goes on that they eat up equity. Eventually, the house would have a big mortgage drawing a sizable amount of interest each month.

Broadview Savings & Loan of Independence, Ohio, near Cleveland, has been offering reverse mortgages for over a year. (It is state chartered and did not have to wait for federal approval.) To make its plan work, Broadview insists that the original home mortgage be paid off or very nearly so. The maximum reverse loan credit can be up to 80% of appraised value. Payout to the home owner can be for five, seven or ten years. Broadview currently charges 10¼% interest on unpaid principal. The home can be sold at any time for estate purposes or if the owner feels unable to continue living on the property, since no prepayment penalty is required.

Take the case of a $60,000 house on which a $48,000 maximum mortgage can be arranged. If the home owner decides to take money out over five years, monthly payments would start at $600 for the first year and gradually rise to $900 in the fifth year. The mortgagor would start to pay interest on the loan right away. Monthly interest, taxes and insurance would come to $147.18. Principal repayment of a state-required minimum $1 a month would bring net payment to the owner of about $452 in the 12th month. Because interest charges grow as the debt expands, payment to the home owner is also scaled to rise. In the final month, the 60th month, the transaction would consist of a $900 loan increment less charges of $471. The net payment would be $429.

What has happened is that for five years—the period of this mortgage—you will have come out net with $425 to $450 a month in cash. But you have also been incurring mortgage debt. At the end of the period, you have a big, tough $48,000 mortgage on a house that had formerly been owned free and clear of debt.

If home prices continue to advance rapidly, you can renegotiate an additional mortgage and continue to get cash. But you would be starting with one big chunk of debt that carries a big monthly interest charge. The numbers would not look nearly as good as during the intial five-year period. The system works only if housing prices continue to advance 10% to 15% a year, a hardly likely occurrence. The idea is novel. It has merit. Only you can decide if it is worth the additional debt risk.

At the end of five years, the agreement calls for repayment of the principal—which is basically the $48,000 originally contracted for—or to roll over the credit and start again. Legal counsel has provided an opinion that the money borrowed by the home owner is not subject to income taxes because it represents a loan. Interest and real estate taxes are deductible all along from income as in the past.

Broadview Savings & Loan allows several options at the conclusion of the five-year, seven-year or ten-year payout period when full proceeds of the mortgage loan have been disbursed. The home can be reappraised to determine if further payments may be made by reason of increased equity. A regular amortization schedule may be started for the remaining period of the mortgage, or the loan may be paid off.

New York City notes

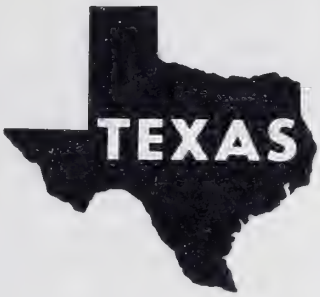
The strong reception accorded New York City notes makes it seem that the city is back on the track toward marketing its own debt whenever some more money is needed. The city sold, under its name, $125 million of five-month notes carrying an interest rate of 8%, tax free. That is better for most wage earners than the taxable 10.33% that six-month insured savings certificates pay.

Did the high interest rate account for the success? Hardly so. The notes—while general obligations of the city, issued in anticipation of certain revenues—are more like state debt than city debt. That's because the revenues backing the notes are collected by the state, payable by the state and held by the state comptroller in a separate account.

The noteholders get first crack at the revenues. Revenues come to about $900 million, and notes to be issued will not exceed $600 million in principal amount. It's a sound proposition provided the mayor and his buddies can't get to the money first. ■

Ben Weberman is economics editor of Forbes *magazine.*

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus.



5,000,000 Shares

TEXAS UTILITIES COMPANY

Common Stock

(Without Par Value)

Price $19½ a Share

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

GOLDMAN, SACHS & CO.

MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
Merrill Lynch, Pierce, Fenner & Smith Incorporated

SALOMON BROTHERS

BACHE HALSEY STUART SHIELDS
Incorporated

THE FIRST BOSTON CORPORATION

BLYTH EASTMAN DILLON & CO.
Incorporated

DILLON, READ & CO. INC.

DONALDSON, LUFKIN & JENRETTE
Securities Corporation

DREXEL BURNHAM LAMBERT
Incorporated

E. F. HUTTON & COMPANY INC.

KIDDER, PEABODY & CO.
Incorporated

LAZARD FRERES & CO.

LEHMAN BROTHERS KUHN LOEB
Incorporated

LOEB RHOADES, HORNBLOWER & CO.

PAINE, WEBBER, JACKSON & CURTIS
Incorporated

SMITH BARNEY, HARRIS UPHAM & CO.
Incorporated

WERTHEIM & CO., INC.

DEAN WITTER REYNOLDS INC.

BEAR, STEARNS & CO.

RAUSCHER PIERCE REFSNES, INC.

SHEARSON HAYDEN STONE INC.

January 24, 1979

Bond yields didn't get much above the 3% mark until the early 1950s. Even then yields were still abysmally low.

ARE BONDS A BUY NOW?

By Heinz H. Biel

FOR MANY YEARS I have had a passionate aversion to long-term bonds. I still have it. I just don't like no-win propositions. Even with interest rates as high as they are at present, the net return to the investor is sharply negative after allowing for taxes and the inroads of inflation.

Let's start with World War II. Do you remember that young lieutenant whose principal function it was to make sure that every member of every company was buying War Bonds? The penalty for refusal was being assigned to the dirtiest details or to endless KP. This "investment for the future" was a cruel hoax, but there was no SEC to investigate the misrepresentation or the sales methods used.

Bond yields didn't get much above the 3% mark until the early 1950s when the Federal Reserve finally discontinued providing unlimited price support for U.S. Treasury securities. Even then yields were still abysmally low by the standard of recent years. In 1956, for instance, American Telephone & Telegraph sold a 34-year bond with a 3⅞% coupon. Today this bond sells in the low 60s, for a loss of over 35% in market value on top of a 60% loss in buying power. And this is known as a triple-A investment.

Most individual investors finally got the message. They learned it the hard way. They no longer buy long-term bonds unless there are specific reasons, such as restrictive provisions in a trust or the urgent need to maximize current income. Yet year after year untold billions of dollars of bonds are being issued in this country, some with maturities as far ahead as 40 years. Such lengthy bonds are almost unheard of, and would be unsalable elsewhere in the world, where investors seem to be more attuned to the effects of inflation. So who is buying all these bonds?

Primarily, the buyers are life insurance companies and pension funds. They have hundreds of millions of dollars pouring in week after week and these bonds fit their needs perfectly, as long as they meet the actuarial requirements, which nowadays they do with ease. As their future obligations are payable in (depreciating) dollars, why should it bother them that inflation has such a deleterious effect on bonds? The venture by life insurance companies and pension funds into common stocks was, in numerous instances, spectacularly unsuccessful. Buying high-grade bonds, on the other hand, requires no great investment skills.

So much about bonds as an *investment*. But what about bonds as a *speculation?* There are fluctuations of such magnitude in the bond market that the speculative potential is impressive indeed. Just look at the gyrations of the 7% bond of AT&T, due 2001, which was offered around par in 1971:

1974	Low	74	Yield	9.6%
1976	High	104	Yield	6.6%
1978	Low	78½	Yield	9.3%

The 40% rise between 1974 and 1976 was sweetened further by the high yield. Of course, we never buy at the low or sell at the high, but the potential gain is nevertheless intriguing. (During the same 1974-76 period, Telephone stock gained over 63%, but stayed near that high.)

There are some economists and money market and bond market experts who expect interest rates to peak in the not very distant future, say sometime between March and June. If that should prove to be the case, the risk/reward ratio for long-term bonds is favorable indeed, and their purchase could be quite rewarding on a strictly temporary and speculative basis. Short-term bonds, which cling closer to par because of their approaching maturity, are not involved, of course.

Whether the price recovery in bonds, if and when it comes, will match the wide gains witnessed in the 1974-76 period is, however, questionable. The precarious health of the dollar may make sharply lower money rates and long-term interest rates "impractical," to say the least.

Just a brief comment on tax-exempt bonds. Fundamentally, there is no difference. However, an investor in a high tax bracket—*i.e.*, over 50%—may think that the factor of tax exemption overcomes the inherent shortcomings of a bond. It becomes a matter of choosing the minor evil.

In summary, let me reemphasize that long-term bonds are unattractive under present conditions and should be avoided as investments. Currently they have moderate speculative attraction because of the downturn in interest rates expected in the not too distant future. It should be noted, however, that yield-sensitive stocks specifically utilities, should respond similarly without sharing a bond's principal fault, the fixed coupon.

McDonald's Corp.

While the stock market was moving up to the best levels since last October, one of the most hallowed growth stocks and institutional favorites, *McDonald's Corp.* (45), declined to its lowest price since mid-1977. What's wrong? First there were strange rumors of impurities in the food, earthworms of all things. Then it was said that high meat prices were squeezing profit margins and that compensating price increases had an adverse effect on sales. Some analysts lowered their 1978 earnings estimate to $4 a share. But this still makes it a respectable gain of nearly 20% over the preceding year's $3.37.

I have always been somewhat lukewarm toward McDonald's. Its earnings multiples were just too high for my taste. This is no longer the case particularly if 1979 should live up to early income projections of another 20% increase in per-share earnings. A P/E of less than 10 lends definite attraction to McDonald's, whose growth record can only be described as phenomenal. As dividends are likely to remain insignificant, the stock is obviously unsuited for investors requiring current income. ■

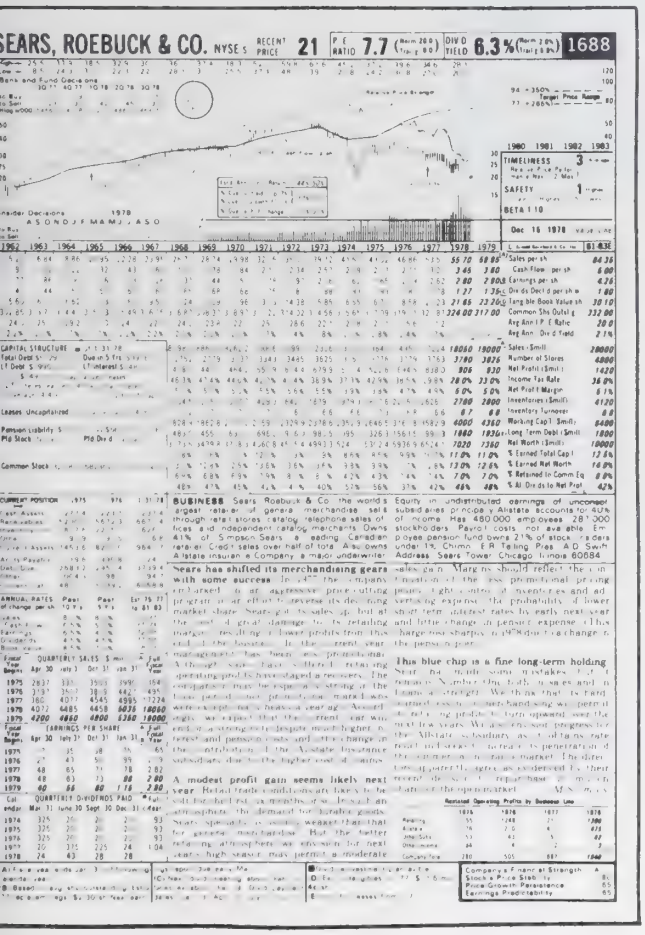
Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

Receive 10 weeks of Value Line for $29

This trial subscription is open to you only if no ember of your household has subscribed to Value ne in the past two years. We make this special offer ecause we've found that **a high percentage of new bscribers who try Value Line stay with us on a long-rm basis.** The increased circulation enables us to ep our subscription fees to long-term subscribers wer than would otherwise be possible.

Under the special trial offer you will receive the 00-page Investors Reference Service (illustrated ove) at no extra cost. You'll receive all the new full-ge reports to be issued in the next 10 weeks on the ore than 1700 stocks and 91 industries regularly onitored by The Value Line Investment Survey. **Fil-g takes less than a minute a week. All this material so organized in your binder that you can quickly rn to a continually updated report on almost any ading stock.**

This is a sample full-page report of one of the 1700 stocks regularly reviewed by Value Line, reduced from 8½ x 11"


SEARS, ROEBUCK & CO. NYSE-S RECENT PRICE 21 P/E RATIO 7.7 DIV'D YIELD 6.3% 1688

TIMELINESS 3 SAFETY 1 BETA 1.10

BUSINESS: Sears, Roebuck & Co. the world's largest retailer of general merchandise sold through retail stores, catalog telephone sales of... Sears has shifted its merchandising gears with some success...

A modest profit gain seems likely next year. Retail trade conditions have been...

This blue chip is a fine long-term holding...

Thus you'll find it convenient to have The Investors Reference Service at your fingertips whenever you need facts and figures, as well as Value Line's projected performance ratings on more than 1700 widely held stocks in 91 industries.

In the **Selection & Opinion** section, which accompanies your weekly reports, you'll also get analyses and forecasts of the national economy and the stock market . . . guidance on current investment policy explaining Value Line's bullish long-term position on the securities markets . . . plus Value Line's specific stock selections.

Take advantage of this special introductory offer—and receive, as bonuses without extra charge, the 2400-page Investors Reference Service and the "Investing in Common Stocks" booklet, which explains how even inexperienced **investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Safety.**

This subscription is tax-deductible if utilized to aid in the management of your investments.

Fill in and mail the coupon below.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc.
711 Third Avenue, New York, N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

This famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $295. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)
☐ Enter my subscription now. Bill me for $295. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid.
Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.)

516K19

DAILY INTEREST INCOME... HIGHER YIELDS... AND CHECK WRITING!

FINANCIAL DAILY INCOME SHARES, INC.

a no-load money market investment company seeking high current income consistent with liquidity and safety of capital

- No sales charge
- Check Withdrawal Option
- $1,000 initial investment
- $100 subsequent investment
- No withdrawal fee
- Income earned daily, 365 days a year
- Expedited wire withdrawal privilege
- Telephone Exchange Option
- Withdrawals are at the then current net asset value

Call Free: 1-800-525-9831 in the continental U S
Call 779-1233, in Colorado

Financial Programs, Inc. 4-F0-3-J203-11
P.O. Box 2040, Denver, Colorado 80201

Name _____

Address _____

City _____ State _____ Zip _____

For more complete information about Financial Daily Income Shares, including management fee charges and expenses, call or send for a prospectus Read it carefully before you invest or forward funds

Financial Advisor to Business Owners and Executives

Kanaly Trust Company

National Pioneer in Financial Counselling

4550 Post Oak Place
Houston, Texas 77027 713/626-9483

Modern Portfolio Theory is about as up to date as Charlie Chaplin's Modern Times.

A CLOUDED CRYSTAL BALL

By John Train

PEOPLE who come to our office, which is a sunny fishbowl on a high floor of a skyscraper, often stop and look at the rugs. "Gosh," they say, "those are nice. You don't often see oriental rugs in a modern office."

"I'm fond of them," I reply. They make sense, too. A well-made rug is a joy to look at, and can take 50 years of use, a lot more than most wall-to-wall carpeting is likely to stand. And you can take it along if you have to move. (The symbols in oriental rugs have quite specific messages, by the way, like those in stained-glass windows. I have written a monograph on the subject.)

Our rugs are worth more now than when we bought them: There's keen interest in rugs today, although less than in the Twenties, when good ones sold for a fortune. In between, including when I picked up ours, they went for very little.

If you had contemplated starting a rug collection after World War II, well-meaning friends might have discouraged you by pointing out that rugs had declined sharply in value for a number of years, and, while they had once sold for much more, the price structure was unstable. To use the jargon of Modern Portfolio Theory, at that time oriental carpets had a high beta. That term would have frightened off some prospective buyers, which would have been a shame because that was just the time to be buying oriental carpets.

There's a simplistic notion in Modern Portfolio Theory that high beta—volatility—is the same as high risk, something a potential buyer should steer clear of. It isn't the same at all. Quite the contrary: Volatility *creates the informed buyer's low-risk opportunity.* If he has done his homework well, then the volatility declines as others learn what he discovered. Just as in fine rugs: Once people caught on to how beautiful and valuable they were, prices ceased being volatile.

Modern Portfolio Theory has another blind spot. It uses circular reasoning. MPT requires that you *tell* the computer that you think the market will go up,* whereupon the Program tells you which stocks would do well if your postulate (and the computer's data) are correct.

Experience refutes this approach. The way you find a cheap stock is by knowing the company and determining that you would be willing to pay more for the return it will give you than what the market values it at. If the companies in a group are cheap, the group's probably cheap; if most groups are cheap, then probably the whole market's cheap. What you can really hope to know is the specific thing—that certain stocks are attractive compared with cash, bonds or other stocks. The rest is extrapolated. So if MPT takes your specific knowledge, constructs a generality, and then derives a different specific, it has actually degraded your wisdom, not strengthened it.

Here's an unkind illustration. Suppose Tom, the baker's son, finds himself in love with the girl next door Kate. He goes to an MPT matchmaker, who consults his black box and pronounces: "Bakers' sons called Tom usually marry brunette schoolteachers called Jennifer. I have one for you in Seattle. It's a pity you have to move but that's life."

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

**One doesn't say it that way, of course. One says that the nonsystemic risk has a positive expected alpha.*

In addition, knowing about a specific company you have an investment in—not just handling it as a symbol—gives you the confidence to see it through bad times as well as good, which reduces portfolio turnover. Any policy leading to turnover is like one leading to war or litigation: It's self-destructive, enriches the wrong people and cancels out in the end. It doesn't solve a problem, it *becomes* the problem, like a short-cut across quicksand. Once you're in the quicksands of turnover it doesn't make very much difference where you thought you were going.

To be blunt: Modern Portfolio Theory, which was formulated way back in the 1950s along with that other simplistic fallacy, the efficient market theory, is about as up to date as Charlie Chaplin's *Modern Times*.

To enable my readers to be *really* up to date, I have promulgated NEWEST Portfolio Theory (based on some tried and true methods of the past, to be sure), together with its own acronym-filled lingo.

A glossary of NEWEST

Old (MPT) term	NEWEST term
To regress	To COMPAR
Covariance	GROUPMOVE
Alpha	RELPERF
Positive expected alpha	WINR
Negative expected alpha	LOSR
Beta	VOLAT
High beta	JUMPIN
Low beta	DUL
Optimization	RIT-THING
MARCH / MARISM	CRYSTBAL

NEWEST has many concepts that scarcely exist in Modern Portfolio Theory. For instance, the investor actually goes to the place of business of a company he invests in, examines the factory and product line, and interviews several levels of management, besides talking to the customers and the competition. This process, which saves on computer time but is expensive in shoe leather, is called INSPEC in NEWEST jargon.

Then there's the EXPER concept. Many will find this concept hard to accept. It holds that money should be managed by seasoned men, skilled judges of character familiar with business and the stock market, and not by librarians whose background is in statistics, economics and computer theory.■

"It's my job to keep up with the forces that affect interest rates. That's why I keep up with Barron's."

Bill Boraczek, Vice President
Manufacturers Hanover Trust Company
New York City

"Trading government securities is my job. For the bank's account. For our investment portfolio. For our correspondents. I have to know which way the interest rates are going. And Barron's is a valuable professional tool—it really helps me keep up with the forces and trends that influence interest rates.

"Unlike a lot of daily papers, Barron's doesn't just report what's going on now. Barron's takes a position. Says what they think is going to happen—and why.

"I use Barron's regular columns to pick out a lot of information. I always go through Up & Down Wall Street, The World At Work, The Week In Bonds, and The Commodities Corner. Barron's is candid and doesn't waste words. It's valuable for anyone interested in the fixed income or equity markets. For the professional and individual investor."

No other source of financial information tells you more—more incisively than Barron's. If you want to understand what's happening now or gain insight into what's going to happen—read Barron's. Over one million readers do.* Every single week.

*Source: TGI, Spring, 1978.

Today is history. Tomorrow is Barron's.

BARRON'S, 200 Burnett Road, Chicopee, Mass. 01021
The National Business and Financial Weekly from Dow Jones

☐ Please enter my subscription to Barron's for 3 months (13 issues) at $9.
☐ I prefer one year (52 issues) at $36. ☐ Payment enclosed. ☐ Bill me.

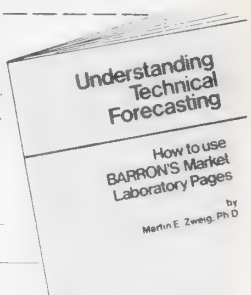
I understand, upon receipt of subscription payment, I will receive a free copy of the 32-page booklet, "Understanding Technical Forecasting: How to use Barron's Market Laboratory Pages."

Name _____

Address _____

City _____ State _____ Zip _____

Prices good in U.S. and Possessions only. 2B883



Executives and
Professional People
BORROW up to
$25,000
by Mail

If you need money...it's good to know you can borrow in utmost privacy...by mail. We are geared to serve the needs of the executive or professional person. Competitive rates, payments. Prepay without penalty. Interest is tax deductible. Mail coupon in confidence.

POSTAL EXECUTIVE FINANCIAL SERVICES INC.

C. E. Wilson, Vice President
Dept 0392
14201 E. 4th Ave
P.O. Box 39F
Denver, CO 80239

Write to:
C.E. Wilson,Vice President,
Dept 0392
14201 E. 4th Ave., P.O. Box 39F
Denver, CO 80239

Send complete information and a loan application.

Name_____

Address_____

City_____ State_____ Zip_____

affiliate of The St. Paul Companies, Inc.

963

LARGE POTENTIAL CASH RETURN from OIL and GAS LEASES ON PUBLIC LANDS

* * * * *

The United States Department of the Interior (Bureau of Land Management) holds non-competitive public drawings each month to afford all citizens over the age of 21 years an equal opportunity to own oil and gas lease rights on lands owned by the Federal Government.

A $20.00 tax deductible filing fee could return a sum exceeding $75,000.00 immediately, plus an overriding royalty for possible future income.

* * * * *

For further information on how you can intelligently participate in the government sponsored program, contact:

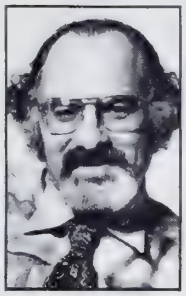
MAX WILSON, INC.

P.O. Drawer 1978—FO
Roswell, New Mexico 88201
Toll Free Number 800-545-7955

There is a catalyst working on the saving and loan industry: There are serious entrepreneurs eager to buy them.

SHARK BAIT

By Martin T. Sosnoff



If the stock market is a bargain, the savings and loan stocks are a giveaway. When you go for *control* of an S&L, the negotiations start and end somewhere around two times book, but any investor can buy the same stocks for 60% or 70% of book—about one-third of what they are worth in a takeover. To be sure, there are other issues—entire industries—that sell far below net worth, but there is a catalyst working on the S&Ls that is bound to narrow the disparity between today's prices and tomorrow's values. The catalyst is that there are serious entrepreneurs eager to buy them. Their dorsal fins are brushing up against these properties and, of late, many have bitten off sizable stock holdings.

The situation is reminiscent of other industries where the megabuck corporations are acquisition minded. As soon as the leader does a deal, a standard of value is established for subsequent acquisitions. This is what happened when the oil companies decided to diversify their energy base and buy coal and uranium properties or even natural gas reserves. Sizable chunks of whole industries have disappeared into the corporate jaws, the equivalent of the corporate New York Yankees bidding up of Reggie Jackson and the subsequent Pete Rose auction.

The savings industry is simplicity itself. You take in money mainly on passbook rates of 5¼% to 6% and lend it out at 9% or better in long-term mortgages for single-family dwellings. What could be simpler? Occasionally, a home is overappraised or a trac developer's ambitious building pla land the lending institution in troub It happened in the late Sixties and 1973, but the inflation in housing ov the past five years makes everyo look as astute as J.P. Morgan. T nation's housing stock has practical doubled in value and loan-to-value r tios are low. Hard to lose money.

Compound interest works for e eryone. The consumer, like cloc work, saves anywhere from 5% to 7 of his income. Everyone who is not food stamps has at least a couple thousand in his passbook account— never leaves the repository that ha pened to have a branch within neig borhood proximity. Savings and lo associations, many of them charter in the early Forties, started out storefronts and today sport marble p lars on the East Coast and glass a marble on the West Coast. The foun ing owners started out counting pe nies in the back room and now ha nine zeros of assets on their glos balance sheet statements. Many a worth hundreds of millions—the A mansons and Tapers in Southern Ca fornia are household words. Gold West Financial is a husband-and-wi team of securities analysts.

Several financial conglomerates already own S&Ls, and many more about to own them. Sears, MCA, Ci Investing, Pennsylvania Life are the Reliance Group and Kemper own portable positions in ICA and Gibr tar Financial. Lazard Frères is po tioned in a piece of Financial Fed ation. Just recently, management Gibraltar petitioned the S&L comm sioner of California to force an outsi group to disgorge its ownership of to 25% of the company. Manageme was turned down. The men with hi dorsal fins who know the value of t buck will not be stopped.

S&Ls normally make 20% per a num on their net worth. Tax rates low, maybe 25% of earnings, and di

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

ends have been compounding from a ow base. Typical yield is 5%; the ayout ratio maybe 22% of latest 12- nonth earnings. Even if you pay wice book for these properties, with- n four years you have made back your remium. This is better than you can o anywhere else. Well-managed com- nercial banks scrape to earn 12% on quity; make a few bad guesses, like nancing the real estate trusts, and ou can set yourself back five years' rowth. Franklin Bank rapidly went ut of business by writing certificates f deposit and placing the money long erm. This was a billion-dollar institu- ion whose offices my firm occupies ow at a very low rental.

Last month I wrote that the reces- ion starts late in the year. I am grate- ul to David Levine, the brilliant oung economist of S.C. Bernstein & o., for documentation of this pro- ocative thesis. It goes like this: The &Ls run out of money and new ome starts collapse. Meanwhile, the xpensive six-month certificates the &Ls are writing squeeze profit mar- ins. Rates are tied to six-month reasury bills and there is some cross- ver from passbook accounts, maybe % a month from low-interest to igher-interest liabilities. If this hap- ens, the average publicly owned S&L ill show an earnings decline of 10% o 20% this year, but by 1980 earnings hould be compounding at 20% again. t four times earnings and 70% of ook, how can you lose money? The orst that can happen is you get left t the post for awhile. The market llies through much of the year and is industry does nothing. But you an make 50% or more over the next 8 months. Not bad.

My candidates are the most obvious roperties that the sharks are already ircling. If one of the granddaddies, ke First Charter or Financial Feder- tion, sells out as a friendly deal, it ill establish a yardstick of value easurement and all other properties ill move up proportionately. If they scape Jaws, earnings boom in 1980 nd you make money on the funda- entals. The stocks during 1978 out- erformed the market despite steadily sing short-term interest rates.

This is my bonus for our gentle eaders, even the one who said that he ought a shave and a haircut would rve me better than a $600 sports cket. I remind him that George ashington wore his hair long and be Lincoln was bearded. Both served eir constituencies well. ■

How to increase your total return without increasing your risk.

When you calculate the total return of your portfolio, you probably think only in terms of capital gains and dividends. But when you do, you overlook a third factor that can also significantly affect your total return: your brokerage commissions.

EXAMPLE:	
Buy 300 shares at $28, sell 300 shares at $32.	
Gross Return:	$1,200.00
Round Trip Commissions:	
At last NYSE fixed rates	300.57
At Source median rates	150.00
Net Return:	
At last NYSE fixed rates	899.43
At Source median rates	1,050.00
Increase in return at Source:	**16.7%**

To get an idea of how our reduced commissions can increase your total return see the example above.

And even though your return increases, you won't add any risk to your portfolio or change any investment decisions. The only difference is that you'll pay less in commissions. What's more, with Source, you'll experience some of the finest execution and custody services in the industry.

To find out how you can start increasing your total return at Source, call or send the coupon below for our free Commissions and Services brochure. Call us toll free at **800-221-5338** or in N.Y. State call collect at **212-269-9127.**

Source Securities Corp., 70 Pine St., New York, N.Y. 10005

☐ Please have someone from Source call me.
☐ Please send me your free Commissions and Services brochure and new account application.

Name_____

Address_____

City_____ State_____ Zip_____

Bus. Tel. (____)_____ Home Tel. (____)_____

FOR 2/19

SOURCE
Member New York Stock Exchange

The broker for experienced investors

ENERGY CONSERVATION - **IT'S YOUR CHANCE** TO SAVE, AMERICA

Department of Energy, Washington, D.C.

If the pension managers, who are susceptible to groupthink, all decide to move at once, the buying could be explosive.

A BUYING PANIC?

By Myron Simons

THE QUESTION isn't which way but when. Just as there are huge pools of foreign money waiting for a stronger dollar before going bargain hunting in the U.S. stock market, so there are huge pools of pension fund money that would normally go into the market but that are parked instead in money market instruments.

From the pension fund point of view, the money market has been a sensible place to be: With yields as high as 10% and more, the pension funds are doing better in risk-free investments than they could in blue chip stocks. But interest rates won't stay this high forever, and the dollar is clearly undervalued.

The situation has all the makings of a buying panic. When? Your guess may be as good as mine, but if the pension managers, who are susceptible to groupthink, all decide to move at once, the buying could be explosive.

The conventional wisdom is to wait until a business slowdown has begun and the shape and severity of it becomes clearer before putting on one's stock buying shoes. However, there's never been a time when there was so much money available and a slowdown has been so widely anticipated. The pools of money that would like to wait until later this year are likely to be jostled into action sooner than they would like by the huge resources that are available for common stock investment. With a scenario like this, there should be a lot of ways to make money on the market.

The most important thing is to develop a strategy and some stock selections that are going to make you comfortable until a number of uncertainties that are likely to develop early in the year get out of the way. One technique is to buy stocks in companies that will be relatively immune to recession, such as a number of those in aerospace and in fields related to it.

Still a second strategy is to select companies with solid asset values. They should be strong enough to come out of a mild business slowdown smelling like a rose. *Northwest Airlines* (30) is a good example. It has relatively low long-term debt and it owns a lot of aircraft. A true figure of its asset value would be something like $65 to $70 a share. Its earnings, which were badly affected by a long strike last year, should make a comeback this year.

A third strategy is to buy stock in a company that will take a turn for the better even in a business slowdown. *Eastern Gas & Fuel* (17) should benefit from the fact that coal is likely to get a higher priority as a result of the Iranian situation. The company should be able to go through 1979 with few interruptions in production, so its earnings should return to the $2.50 level marked up before last year's devastating coal strike.

A fourth approach is to choose growth companies that should emerge from a business slowdown relatively undamaged, and with earnings potentials better than ever. *Data General* (65) specializes in minicomputers that aren't likely to suffer much in a mild recession. Its incoming orders recently were so strong that sales and earnings should continue to grow for at least the first couple of quarters of 1979. Earnings for the fiscal year ending September 1979 should be about $5.50 a share. Its price/earnings ratio is admittedly higher than that of the overall market, but it seems quite reasonable for a stock with Data General's future possibilities.

Growth potential at a somewhat lower P/E is available in *Eltra* (29). It business comes mainly from the Pres tolite and C & D Battery division and the Mergenthaler Linotype group With higher oil and natural gas prices the demand for batteries should b relatively immune to the effects of recession. The trend toward mechani zation in the printing field ought t keep Mergenthaler on the upbea Backlogs are at a record level, an incoming orders are strong. Even there is a business slowdown, I expec the company to earn about $4.50 i the fiscal year ending Septembe 1979, up from last year's $4.20. I seems easily possible to get both high er earnings and a higher P/E as Eltra potential is more fully realized.

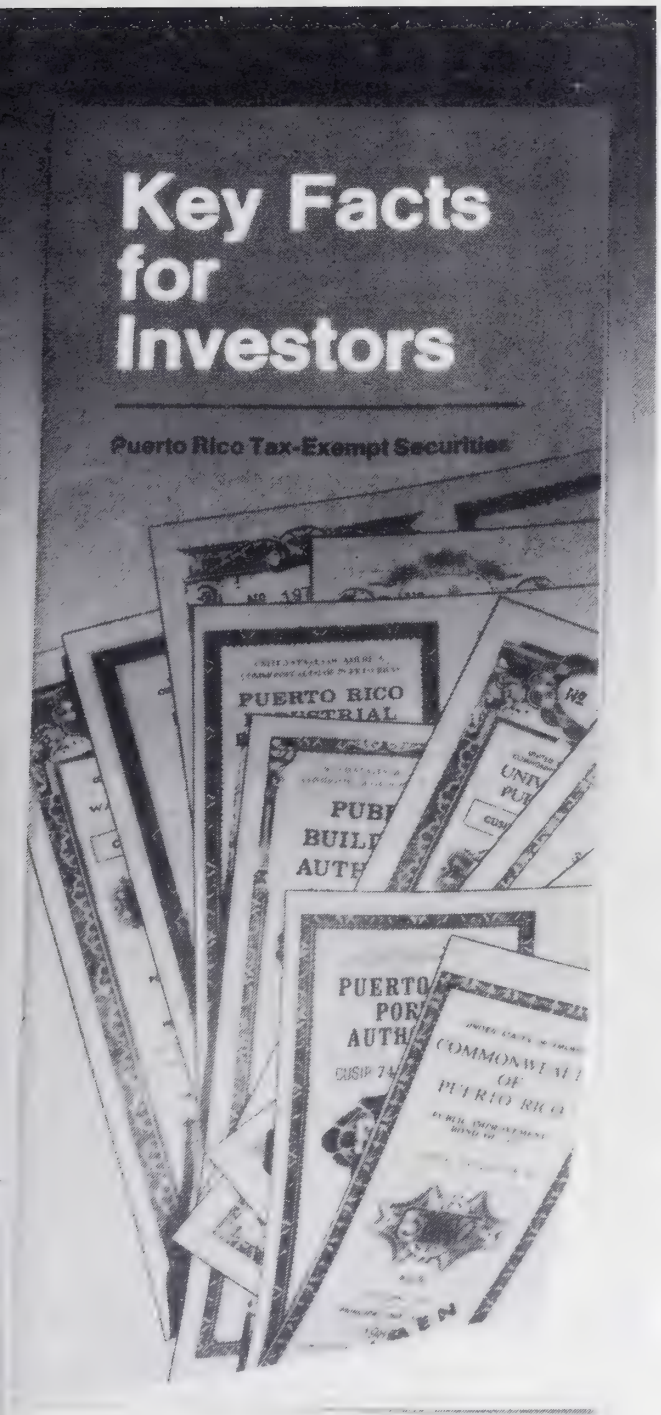
Western Pacific (37) is still anothe case in point. It has branched ou from its original railroad operatio into manufacturing, principall through its Veeder Industries division Now it is in the midst of an attemp to sell its railroad division to its em ployees, as Northwest Industries di some years ago. Western Pacifi won't get much cash for the sale, bu it *will* get a tax loss of something lik $70 million. Its earnings before taxe could be as high as $10 a share. Wit that kind of cash flow, the compan will probably work aggressively on fu ture acquisitions.

Undoubtedly, economists will cor tinue to worry about whether we ar going to have a recession and when will come. But, for the stock marke we've been hearing about it for so lon now that the price/earnings multiple have already been lowered enough t reflect anything less than a seve downturn. A recession—and the some—is already discounted. Stoc buyers are much more likely to ke into the success or failure of Presider Carter's voluntary guidelines tha into the recession. If the guideline can end the take-it-while-you-ca get-it feeling that pervades both bus ness and labor, money should begin t pour into the stock market. At lon last, the market may become an are that participates in inflation rath than suffers from it.

Kennecott Copper (23) has ended i proxy fight, but the new board of dire tors has formed a committee to stu possible divestitures. Meanwhile, th outlook for the company has improve because of the advance in copp prices. That should remove some the risk in holding the stock whi you're waiting for a possible corpora reorganization or partial sale. ■

Myron Simons is a vice president of the NYSE firm of Cowen & Co.

How to get the facts about investing in bonds from Puerto Rico, U.S.A.



Get KEY FACTS FOR INVESTORS. It is a concise, up-to-date guide that summarizes the most important facts about Puerto Rico tax-exempt securities.

Investors, brokers, dealers, investment counselors, bankers and all persons interested in Puerto Rico securities need this handy guide to the Commonwealth of Puerto Rico and its public corporations.

KEY FACTS FOR INVESTORS describes briefly the various bond-issuing agencies, their functions, the type of securities being issued and their ratings.

KEY FACTS FOR INVESTORS is published by the Government Development Bank for Puerto Rico, one of whose primary functions is to act as issuing agent for bonds to finance public improvements in Puerto Rico. These bonds have a triple exemption from federal, state and local income taxes. At current market prices, Puerto Rico Bonds provide attractive yields.

KEY FACTS FOR INVESTORS does not constitute an offer of securities for sale, which is made by the official statements distributed in connection with new issues.

For further information about Puerto Rico government securities, contact your own broker or dealer. If you would like to receive a free copy of our brochure—KEY FACTS FOR INVESTORS—or free copies of our informative monthly Newsletter—PUERTO RICO BUSINESS REVIEW—write:

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

Box 42001
San Juan, Puerto Rico 00940
(809) 726-2525
140 Broadway
New York, New York 10005
(212) 422-6420

PUERTO RICO, U.S.A.

☐ I would like to receive the free brochure KEY FACTS FOR INVESTORS.
☐ I would like to receive regularly a free copy of PUERTO RICO BUSINESS REVIEW.

Name _____
Address _____
_____ Zip Code _____

Puerto Rico, U.S.A.

FB 2-19

How The World's Leading Hospital Company Contains Health Care Costs...

Hospital Corporation of America is working every day to contain health care costs in more than 100 communities across America and throughout the world. We believe the efficiency of private enterprise is having a positive impact on the situation and we are proving that we can operate hospitals more efficiently. Through large scale purchasing, prototype construction, efficient personnel scheduling, developing and implementing new management systems, sharing of human resources and the simple factor of the profit motive, we are successfully containing health care costs.

HCA pioneered corporate management of hospital networks and continues as the leader after its first 10 years. Our Company is built on a commitment to deliver high quality patient care at reasonable prices. We attribute our success and steady growth to that commitment. Call or write for more information.

HOSPITAL CORPORATION OF AMERICA

One Park Plaza
Nashville, TN 37203
(1—615-327-9551)

Of all the water used in homes, 55% is used to flush toilets. By cutting water use by 90%, you cut water consumption by 50%.

THE TWO-QUART FLUSH

By Thomas P. Murphy

IF YOU THINK that giant corporations are grabbing all the worthwhile opportunities, please read this story. It will disabuse you. Maybe even inspire you. It is about a couple of private businessmen who may have shown us a way to save half the water now used in the homes of the world.

It all started with two clogged heads (marine toilets) on James H. Albertassi's boat. Albertassi and his wife had cruised their 47-foot Chris-Craft to Florida in the winter of 1972, and during that cruise the heads clogged—both of them. Albertassi was so annoyed he decided that he could make a better one than anything then on the market.

Albertassi was no inventor, but he did own a successful precision machine shop in Braintree, Mass., and he had a lot of engineering experience. He figured the better marine head was not going to be an overwhelming technical challenge.

But it very nearly was. Before he was through, Albertassi had sold the machine shop to get more time and money to devote to his experiments.

One problem with the marine head, Albertassi discovered, was the macerator (grinder). Like garbage disposers, the toilets he experimented with had macerators that tended to clog on paper. No macerator Albertassi could devise did much better.

Finally persistence (some would call it "luck") gave the answer. While experimenting with yet another macerator, Albertassi made a mistake in wiring the electric motor, turned it on and to his amazement, it worked.

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn.

While Albertassi had been working on his invention, the Environmental Protection Agency was holding hearings on marine sanitation. From the tenor of those hearings it was clear that boat owners would eventually have to stop flushing untreated sewage into the water. Albertassi, it turned out, had the only self-contained, direct discharge marine head that met the Coast Guard's proposed standards.

Albertassi lacked the capital to launch his invention, and a lifetime spent running a machine shop had not given him much marketing experience either. Enter Walter O. Heinze. Heinze was a marketing consultant with as much business as he wanted and no interest whatever in marine toilets. Reluctantly, he let a mutual friend prevail upon him to meet with Albertassi.

When Heinze saw what Albertassi had, Heinze was exultant. This was more than a boating enthusiast's toy. To understand how this vision happened you have to know something about Walter O. Heinze.

Heinze is a man who already had had two very successful careers. He had been president of International Latex and subsequently chairman of the board of STP Corp. When STP was sold, Heinze started a marketing consultancy firm. Heinze is a man of intensity, in work and in hobbies. He had been a big game hunter, then built Japanese gardens and in recent years has been engrossed in archaeology. Heinze had actually trained himself to do fine, archaeological photography and so the professional archaeologist would invite him along on their digs. Many of those digs were in parched areas of the Near East. It was a peculiarity of Albertassi's toilet that it used little water—only six quarts in the marine version and today, in household model, only two.

What Heinze saw in Albertassi's invention was a possible solution t

ne world's water problem.

Heinze has become something of n authority on water usage and ewage disposal. "Fifty-five percent of ll the water used in homes," he will ell you, "is used to flush toilets. By utting water use by 90%, from 20 uarts to 2, you cut water consumption 50%. Can you imagine," he asks netorically, "what that would mean o a city like Cairo? Its sewers were uilt for a city of 2 million, and Cairo as a population of 8 million."

Heinze agreed to finance the company, and promptly changed the name o International Water Saving Systems, Inc. He also set out to capture ne marine head market and with one dvertisement in *Yachting*, he had the hone ringing off the wall in Avon, Mass. Marine dealers were ordering a roduct they had never seen from a ompany they had never heard of, and 00 at a time! Heinze geared the company to produce 2,000 units a month. ixty people were already at work in ne little Avon plant.

Then disaster. While some boat wners welcomed the Coast Guard's egulations, others swore they would ee the Coast Guard put diapers on hales before they would buy one of nose expensive new heads at well ver $600 a copy. Bowing to the potical furor, the Coast Guard announced it was delaying enforcement ntil 1980. Orders dropped to a trickle. Over those frantic months before, Heinze had had many offers to buy ne company. Now he took one of nem, and sold the marine business to anforth, a major marine manufacurer. But he kept all other rights.

Employment is down to 12 people in von today. The plants are still making me heads for Danforth, whose busiess is good, but the thrust is Heinze's ater-saving idea, and he is already egotiating with an Egyptian company o make the toilets for the Middle East narket, while Albertassi continues ork to perfect the idea. There is also ne recreational vehicle market. Some f the big ones carry half a ton of water nd sewage aboard.

That is the story, but it is not the eason why Walter O. Heinze was illing to have it told. He talked to ne, after avoiding the press through is long career, because, he says, "I ould like to give encouragement to der people. You do not have to give p at 60 or even 70. A man who conues learning always grows more luable to a business."

Walter O. Heinze is 75 years old. ■

Wise old saying—

"REACH FOR HIGH INTEREST RATES BUT KEEP YOUR MONEY WITHIN REACH."

CD's are fine for some purposes, but not for liquidity. Six months can be a long time in a fast-changing world—not to mention six years.

Let us help you obtain the best of both worlds—

HIGH INCOME AND LIQUIDITY.

Toll-Free Telephone Redemption • Free Check Writing

ROWE PRICE

PRIME RESERVE FUND

A No-Load Money Market Fund

Call toll-free 1-800-638-1527. If busy, or in Maryland, call 301-547-2136 or write Prime Reserve Fund, 100 East Pratt Street, Baltimore, Maryland 21202.

A-6

Name Address

City State Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

RJR

R.J.Reynolds Industries, Inc.

Common Stock Dividend

A quarterly dividend of 95 cents per share has been declared on the Common Stock of the Company, payable March 5, 1979 to stockholders of record at the close of business February 9, 1979.

C. F. BENBOW
Senior Vice President and Secretary
Winston-Salem, N. C., January 18, 1979

Seventy-Nine Consecutive Years of Cash Dividend Payments

Tobacco Products
Food Products
Fruit Beverages
Containerized Freight Transportation
Packaging Materials
Specialty Aluminum Products
Petroleum

REACH THE AFFLUENT IN FORBES

One out of every 13 FORBES subscribers is a millionaire

Common Stock Dividend

Increased for 27th Consecutive Year

The Board of Directors of Central and South West Corporation on January 19, 1979 declared an increase in the regular quarterly dividend from 33½¢ per share to 35½¢ per share on the Corporation's Common Stock. The increased dividend is payable February 28, 1979 to stockholders of record January 31, 1979.

William F. Malec
Treasurer

Central and South West Corporation

2700 One Main Place • Dallas, Texas 75250

System Operating Companies

Central Power and Light Company
Public Service Company of Oklahoma
Southwestern Electric Power Company
West Texas Utilities Company

QUARTERLY DIVIDENDS SINCE 1935

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

INCREASED DIVIDEND

The Board of Directors has increased the quarterly dividend on the outstanding Common Stock to 45 cents a share from the 42½ cents previously paid. A dividend at the new rate is payable on March 1, 1979 to stockholders of record on February 9, 1979. The transfer books will not close.

January 25, 1979

RAMSEY E. JOSLIN,
Vice President-Financial

NDCC
DIVISIONS U S INDUSTRIAL CHEMICALS CO.
NATIONAL DISTILLERS PRODUCTS CO.
ALMADÉN VINEYARDS, INC.
METALS DIVISION
BEACON MANUFACTURING COMPANY

Give to
PROJECT HOPE
Department A, Washington, D.C. 20007

Forbes Index

Index of companies covered in news stories and by the columnists in this issue.

American Electric Power 71
American Quasar Petroleum 99
AT&T 8, 126
Amoco 99
Arab Maritime Petroleum Transport 53
Archer-Daniels-Midland 37
Bache Halsey Stuart Shields 118
Bank of Montreal 38
Bank of Nova Scotia 38
Bankers Trust 38
Beatrice Foods 86
Blyth Eastman Dillon 36
Brascan Ltd 102
Broadview Savings & Loan 124
Bula Ltd 12
Canadian Imperial Bank 38
Central Tel & Util 86
Chase Manhattan 39
Chemical N.Y. 39
Citibank 39
City Investing 64
Coastal States Gas 100
Columbia Gas System 100
Columbia Pictures 62
Continental Grain 35
Crane 33
Data General 132
Dean Witter Reynolds 36
Domtar Ltd 102
Duke Power 71
Eastern Co 135
Eastern Gas & Fuel 132
Eltra 132
Ford Motor 37
GDV, Inc 66
General Cable 106
Georgia-Pacific 37
Goldman, Sachs ....
Green Mountain Power ....
Gulf & Western ....
Gulf Oil ....
Hambros Bank ....
Hilmar Reksten ....
E.F. Hutton ....
Japan Fund ....
K mart ....
Kennecott Copper ....
John Labatt Ltd ....
Long Island Lighting ....
MacMillan Bloedel Ltd ....
Manufacturers Hanover ....
McDonald's Corp ....
Merrill Lynch ....
Milbrew ....
J.P. Morgan & Co ....
Northwest Airlines ....
Paramount Pictures ....
J.C. Penney ....
Peoples Gas ....
Royal Bank of Canada ....
Ryder System ....
Seidman & Seidman ....
Shearson Hayden Stone ....
Ron Smith's Look-Alikes ....
Superior Oil ....
Tara Mines ....
Toronto-Dominion Bank ....
Toyota Motor ....
Twentieth Century-Fox ....
United Arab Shipping ....
Universal Pictures ....
Webb & Knapp ....
Western Pacific ....
Worldwide Shipping ....
Zapata ....

It's not just one big simple world out there.

It's not just one big simple world out there, but many. Whether you have a single message for the whole world or many messages for many different markets, TIME can help.

For TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where your markets are.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Thoughts on the Business of Life

I know of nothing sublime which is not some modification of power.
EDMUND BURKE

Power is the first good.
RALPH WALDO EMERSON

If a man has come to that point where he is so content that he says: "I do not want to know any more, or do any more or be any more," he is in a state in which he ought to be changed into a mummy.
HENRY WARD BEECHER

No man will work for your interests unless they are his.
DAVID SEABURY

Never try to work a man who will work you to death trying to work him.
ROBERT LEWIS WILSON

Great businesses turn on a little pin.
GEORGE HERBERT

No business can offer proper service unless it makes a profit, and service is what a business has to sell.
WILLIAM FEATHER

A salesman minus enthusiasm is just a clerk.
HARRY F. BANKS

Business may not be the noblest pursuit, but it is true that men are bringing to it some of the qualities that actuate the explorer, scientist, artist: the zest, the open-mindedness, even the disinterestedness, with which the scientific investigator explores some field of pure research.
EARNEST ALMO CALKINS

American business needs a lifting purpose greater than the struggle of materialism.
HERBERT HOOVER

Popularity means profits. An enterprise headed by a well-liked executive has far greater chances of succeeding in winning public good will than a discontented organization. Goods produced by loyal workers carry with them an aura—or something—that somehow conveys a favorable impression, which sometimes induces consumers to choose them in preference to products manufactured by coldly disinterested workers.
B.C. FORBES

The character of the ruler is like the wind, the people like the grass. In whatever direction the wind blows, the grass bends.
CONFUCIUS

Success in any enterprise requires the right product, methods and men and each must complement the others.
JOSEPH BURGER

We require from men two kinds of goodness; first, the doing of their practical duty well; then that they be graceful and pleasing in doing it; which last is itself another form of duty.
JOHN RUSKIN

I cannot give you a formula for success, but I can give you the formula for failure—which is: Try to please everybody.
HERBERT BAYARD SWOPE

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

The depositary of power is always unpopular.
DISRAELI

Too often a sense of loyalty depends on admiration, and if we can't admire, it is difficult to be loyal.
AIMEE BUCHANAN

A few honest men are better than numbers.
OLIVER CROMWELL

The only things that evolve by themselves in an organization are disorder, friction and malperformance.
PETER DRUCKER

Ability wins us the esteem of the true men; luck, that of the people.
LA ROCHEFOUCAULD

A Text . . .

Wherefore comfort yourselves together, and edify one another, even as also ye do.
I THESSALONIANS 5:11

Sent in by M.A. Adams, Kingsport, Tenn. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Sometimes only a change of viewpoint is needed to convert a tiresome duty into an interesting opportunity.
ALBERTA FLANDERS

There are two kinds of discontent in this world: the discontent that works and the discontent that wrings its hands. The first gets what it wants and the second loses what it had. There is no cure for the first but success, and no cure at all for the second.
GORDON GRAHAM

Only 8 NYSE* industrials have paid dividends for 98 years or more.

*New York Stock Exchange

We're one of them.

iamond International belongs to one of the country's
st select groups of companies.
/e started paying stockholders dividends 98 years ago
haven't missed a year since. (Making us 8th in longev-
Only seven other NYSE industrial companies—out of
1,100 member firms—have paid dividends longer.
here are good reasons for this remarkable record.
nly it's because we have grown and diversified by *design*. Picked products that give us a balanced, integrated line. That are in industries where we have unusual expertise.

Apart from paying stockholder dividends for 98 years in a row, this strategy has helped the company counter severe cyclical swings. Transform many of our basic forest-based products into profitable consumer lines. And nearly double our sales in the last six years to over $1 billion.

Write Dept. B-18 for our quarterly and annual reports.

DIAMOND INTERNATIONAL
733 Third Avenue, New York, N.Y. 10017

Forest Products · Packaging & Printing · Consumer Products · Building Materials & Home Supplies · Machinery Systems

Defy mediocrity.

SEP 3, 1979 ONE DOLLAR FIFTY CENTS

Forbes

THE NEXT ROUND OF RAIL MERGERS

ARE THE NGRATULATIONS PREMATURE?

21973353 AP1 NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

4820 08317

Just a reminder that the most impressive thing about Chivas Regal is what's in the bottle, not what's on it.

12 YEARS OLD WORLDWIDE · BLENDED SCOTCH WHISKY · 86 PROOF · GENERAL WINE & SPIRITS CO., NEW YORK, N.Y.

Government ~~of the people, by the people, for the people,~~ shall not perish...

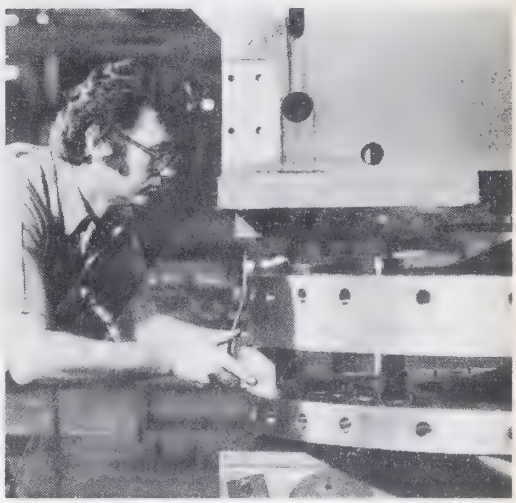
When Lincoln mourned at Gettysburg, he pleaded for the preservation of a fragile thread of government struggling to connect the diverse interests of the nation.

Today, our government is hardly a fragile thread. With more than 400 federal agencies writing 25,000 new regulations each year, it's more like a ball of twine that totally surrounds, binds and touches upon every aspect of our lives.

Lincoln would be pleased to see that the men at Gettysburg did not die in vain; that in fact the union has survived.

But we think that he would speak out to warn the people for whom this government was founded and preserved that they are about to lose control of it. To the un-elected and unchecked bureaucracy it has spawned.

Let us dedicate ourselves to insuring that Lincoln's union survives in the manner he intended. That his words are not deleted by some federal agency to conform to the latest government regulation.



Inspector gages turret clearance of W-3050 turret punch press on assembly floor. A product of the Wiedemann Division, King of Prussia, PA, the W-3050 features 30-ton punching capacity with a hit rate of 175 per minute.

WARNER & SWASEY

Productivity equipment and systems in machine tools, textile and construction machinery

© 1979 THE WARNER & SWASEY COMPANY Executive Offices 11000 Cedar Avenue, Cleveland, Ohio 44106

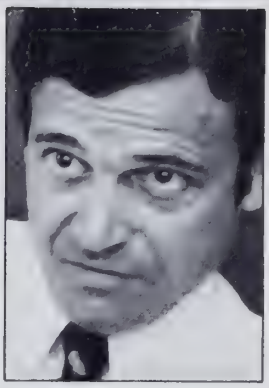
Forbes

March 5, 1979
Volume 123, Number 5

Farmers: This time, the great tractorcade to Washington got a chilly reception from more than the weather. **31**

Sweden: Even in a socialist country, the stockholders sometimes rise in revolt. **37**

Cover Story: Why does the federal government encourage railroad mergers without tackling the underlying problems? The reasons may be more cynical than is apparent. **43**



Airlines: In the four-handed poker game for control of National Airlines, there are three sure winners and one sure loser. **66**

The Game Of Float: Profiting on the inefficiencies of the system. **135**

Features

Gasoline: *The Tangle On Unleaded.* Why does it cost more to leave lead out than to put it in? That's not as mysterious, really, as why the price varies so much. **32**

Swiss Stocks: *The New Status Symbol.* Thinking about buying gold or opening a numbered account in Zurich or Geneva? Buying Swiss stocks may make more sense—even though dividend returns may be 2% or less and disclosure sometimes consists of a three-line annual report. **34**

Companies: *Shining Again.* You've heard it before—Du Pont has turned around. It may really have taken place this time. **35**

Rail Cars: *Look Who's Booming!* One of America's oldest industries right now is one of the most profitable. **52**

Companies: *Full Speed Ahead.* Why is Champion International expanding faster than most of its forest products rivals? Andy Sigler thinks that's no more than right. **61**

Companies: *Correcting The Balance.* Textron strayed from its founder's precepts in Iran. **72**

Companies: *Two Who Endured.* When China's Teng Hsiao-ping stopped off in Houston to visit Hughes Tool Co., he met another remarkable survivor—Ray Holliday. **103**

The Numbers Game: *The Gnomes Of Stamford.* Is there an unlikely villain in the dollar's malaise? **104**

Statistical Spotlight: *Dart It All!* Once again, the FORBES Dart Board Fund has beaten the averages and most of Wall Street's professionals. **108**

Companies: *Fighting Off The Sharks.* Leventhal & Co. has found reshaping realty companies a heady game. **112**

Companies: *"God, Charles, How We'll Miss You!"* But the company Charles Tandy created must go on. And thanks to his longtime friend and associate, it is. **118**

Companies: *Veni, Vidi, Vici?* Caesar's wife, of course, always had to be above suspicion. But what about Caesars World? **125**

Companies: *Bankers Trust Finds Itself.* What happens when a natural aristocrat tries to adopt the common touch? In this case, it didn't work. But at least this $26 billion bank knows who it is again, and has shed its money-losing retail operations. **130**

The Money Men: *Brean Murray's Secret.* While others were wringing their hands over the disappearance of the small Wall Street research outfit, this little firm was quietly going its profitable way. **138**

Faces Behind The Figures

Roger Tamraz (First Arabian Corp.)
William Mitchell (General Foods) **142**

Charles C.S. Lam (Hong Kong Entrepreneur)
Carlo De Benetti (Olivetti) **146**

Money And Investments

The Economy: *The Consumer Holds The Key.* But don't worry about his level of personal debt. Worry about his frame of mind. In the long run, that's really what will determine what kind of year 1979 will be. **149**

Columnists

Ben Weberman **150**
Heinz H. Biel **154**
Peter G. Banzhaf **158**
John Train **160**
Srully Blotnick **162**
Stanley W. Angrist **164**

Departments

Side Lines **6**
Trends **8**
Follow-Through **10**
Readers Say **15**
Fact and Comment **23**
Other Comments **26**
Editorial Index **167**
Thoughts **170**

Credits: **Photos**—pp. 8, 32, Wide World; pp. 33, 130, John Chang McCurdy; p. 35, Jim Pickerell; pp. 37, 38, Sygma; p. 43, Frank Aleksandrowicz; p. 52, Len Speier; p. 56, John Grossman; p. 61, George Cardozo; p. 66 top, Pat Pagnano; p. 66 middle, UPI; pp. 66 bottom, 146 top, Bill Kelly; p. 103 David Mercey; p. 108, Jonathan Atkin; pp. 112, 116, Dick Lowry; pp. 119, 120 right, Holly Kuper; p. 120 left, Jerry Cabluck; p. 138, Roy Morsch; p. 142 bottom, Dominique Berretty/Black Star; p. 146 bottom, A.P. **Charts and Maps**—pp. 36, 44, 45, 46, 149, Andrew Christie/Matrix Design

Cover Illustration: Skip Liepke **Design Consultant:** Peter Palazzo

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1979 Forbes Inc.

THE TRUCK STOPS HERE

....and it's been doing just that —economically—for 43 years.

However, some people claim that trucking rates are inflationary, and that consumers pay billions in excess transportation charges. These claims are outrageous.

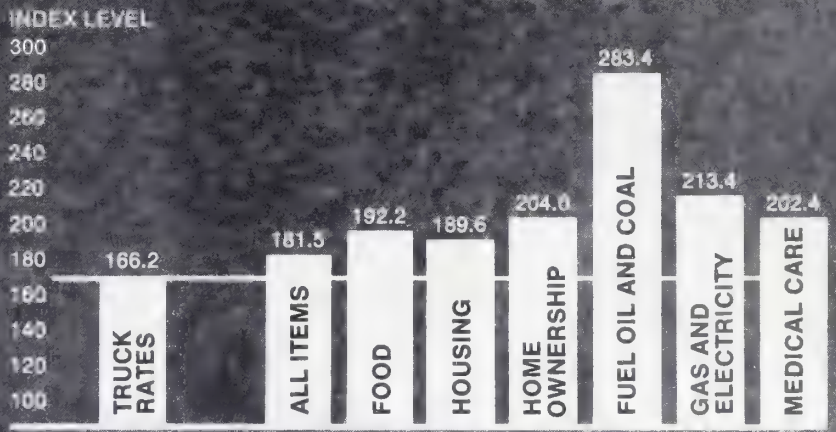
For instance, from a base of 100 in 1967, revenue per ton mile of regulated general freight carriers rose to 166.2 in 1977. During the same period, the Consumer Price Index rose from 100 to 181.5, or 15 points higher than the price of regulated motor carrier service.

Consumer food prices alone in the eleven years rose to an index level of 192.2. Other consumer price changes were also higher than the increase in truck charges. Compared with the 166.2, housing in 1977 was 189.6; medical care was 202.4 and fuel oil and coal were 283.4.

The men and women of today's trucking industry are concerned about inflation. They are working hard to control costs and economize while continuing to provide dependable motor carrier service.

And 43 years of economical, efficient, safe and reliable service to all Americans who depend on motor carriers for the delivery of essential goods has proven one thing—the nation's trucking system works.

Changes in Truck Rates* as Compared to Changes in Various Consumer Items
1977 versus 1967
Index Values with 1967 = 100



*As measured by revenue per ton mile for ICC regulated intercity common carriers of general freight.

American Trucking Associations, Inc.
Today's Trucking Industry...It Works for America

ENERGY CONTROL.

How Honeywell helps San Joaquin County save energy. Enough to run one-fourth of this building free.

For San Joaquin County, California, a wise investment in energy management is paying big dividends.

At Stockton, the county seat, one Honeywell Delta computer system now controls energy usage in the Public Assistance Building pictured here and the County Courthouse as well. In one year, Delta saved the county $82,207 in energy costs—enough to run one-fourth of each building free.

The system paid for itself in five and one-half months. Without sacrificing the comfort of building occupants.

Two ways your building can save.

Whether you invest in your own Delta system, as San Joaquin County did—or time-share an energy management system through Honeywell's BOSS service—depends on your building's requirements. In either case, a Honeywell computer controls all your energy-using systems. It automatically checks occupancy schedules, reads temperatures and operates all heating, cooling and lighting equipment for maximum energy savings.

In hundreds of buildings, large and small, energy savings of 20 to 30% are common. There are manpower savings, too. Your maintenance staff need not spend their time checking dials or snapping switches.

A unique combination of hardware plus experience.

Delta is the product of Honeywell's advanced computer technology and our long-established leadership in temperature controls. Only Honeywell designs, builds and services all major components of its own system from thermostats to computers. We can help you every step of the way from planning and detailed applications through installation—and far beyond.

Support service: a strong Honeywell advantage.

Once your system's on line, we can help you make the most of it. Our team of service experts offers you a comprehensive package of energy management and operating support. That package includes: Periodic audits of energy use and costs. On-site operations analyses and quarterly review meetings. Scheduled preventive maintenance and emergency repair service. Plus continuing training programs for your personnel.

You can rely on Honeywell to supply all the energy savings help your building needs—hardware, proven programs and the highly skilled people to make them work.

Take the first step to savings.

We showed San Joaquin County how to save thousands yearly. Let us show you. Write now to: Mr. J. H. Jester, Vice President, Sales and Marketing, Honeywell Building Services Division, Dept. 00000, Honeywell Plaza, Minneapolis, MN 55408.

From the most complex computer systems to the simplest controls, providing better ways to help you control your business has always been our business at Honeywell.

Honeywell

Forbes

Editor

Managing Editor

Executive Editors
Economics Editor
Art Director:
Senior Editors: Ruth
Stanley H. Brown, Mal
Associate Editors: C
Paul Blustein, Paul Gibson,
Staff Writers
Nick Gallucci
Reporters
Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Avako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian
Washington Bureau
West Coast Bureau:
John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau
Midwestern Bureau
European Bureau: Barbara Ellis
Copy Department:
Art Department:
Theodore Smith, Assistant Directors; Nikki Frost, Philip Getter, Photo Researchers
Columnists:
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian:
Santiago Alvarado, Gloria Katz

President and Editor-in-Chief

Publisher

Executive Vice President

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Treasurer:
Vice President and Assistant Publisher:
Controller: Joel B. Redle
Director of Advertising:
Director of Corporate Communications:
Director of Circulation:
Director EDP:
Advertising Representatives:
New York: 60 Fifth Ave., 10011
Arnold J. Prives, Fin'l Adv. Mgr., George C. Clissold, Donald W. MacDonald, G. Crott Henry, Charles S. Thorn, John A. Wilson, Richard Calkins,
H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen
Atlanta: 550 Pharr Rd., N.E., 30305
Chicago: 4 N. Michigan Ave., 60611
James H. Mallon, Fred H. Wellington
Cleveland: 501 The Leader Building, 44114, Manager
Dallas:
Donald R. Brown, Manager; William R. Arnold,
Detroit: 2 West Big Beaver Rd., Troy, Mich., 48084
Los Angeles: 10 Wilshire Blvd., 90036, Manager
San Francisco:
Classified:

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Gone with the whistle

Many FORBES readers over 40 will remember sitting with their parents in the family car, waiting for the railroad crossing gate to go up again and reading with fascination the names on the passing boxcars, some of which appear at right. The names were redolent of history and of faraway places, names like: Père Marquette; Wabash; Delaware, Lackawanna & Western; Great Northern; Nickel Plate; Gulf, Mobile & Ohio; Monongahela. Where are they now, these names from a Norman Rockwell past? Merged out of existence in an age of shrinking railroading, a shrinkage that has seen employment in the industry drop from 1.4 million at the end of World War II to about 490,000 today.

The blowing of the lonesome train whistle became embedded in the American consciousness. It runs like a lament through the novels of Thomas Wolfe and the poems of Carl Sandburg. Thomas Edison's *Great Train Robbery*, the first narrative motion picture, threw up one of the movies' great icons. Those rhythmically rattling trains spun off endless songs and stories from John Henry, that steel drivin' man who ramrodded the C&O tunnel, to Casey Jones who engineered one of the Illinois Central's most spectacular train wrecks. It was said that in railroad towns, a large portion of the babies were conceived in the wee hours when the train, whistle open, thundered through. Generations of young Americans heard that same whistle and yearned to see the world.

The romance is gone. Now the jet airplane, the computer, the transistor, the oil refinery are what Americans think of when they think of industry. The railroads are shrinking; several are bankrupt. But railroading still plays a vital role in American industry. On page 52, Associate Editor Paul Gibson tells how the demand for railroad freight cars is booming. How can the railroads be preserved? By permitting the merger trend to go unchecked? Or through attempting more fundamental reform? Without nostalgia but with relentless realism, Executive Editor James Cook examines these questions in the cover story of this issue. It begins on page 43.

The high cost of bargains

Note to Senator Kennedy and others who want to make laws against corporate takeovers: Please read the article on page 66 of this issue. In theory, a going business is worth more than the sum of its assets—the organization, reputation, etc. have value, too. But with the stock market averages having lost half their purchasing power in the past decade, this is no longer true. Today, almost any major corporation has assets that are worth much more than the price the stock market puts on its entire business. As our story tells, a bidding battle is going on for National Airlines, which was never any great shakes as a going company. The would-be acquirers want its aircraft and its routes—its assets. They are prepared to pay $425 million to get them. For the money they are getting a company that netted about $14 million last year and whose common equity is around $20 million. Contrast this with the price the stock market puts on another airline, UAL—about $670 million—only 60% more than what the bidders are offering for National. UAL netted $302 million last year, owns 50 hotels and hundreds of valuable aircraft. Its equity capital, based on the conservative book value of its aircraft and hotels, is over $1 billion. So National dead is worth almost as much as UAL is worth alive—even though UAL is 6 times as big and over 20 times more profitable. Quite a nice premium for going out of business. There's more wrong here, Senator Kennedy, than just the takeover ambitions of a bunch of greedy corporations. ■

You can tell a lot about an individual by what he pours into his glass.

Bushmills.
The world's oldest whiskey.
Individuals have poured this smooth mellow whiskey since 1608.

The "Yachtsman" glass created for the Bushmills Collection by Henry Halem.

Blend of 100% Irish Whiskies. 80 Proof. Bottled in Ireland. The Jos. Garneau Co., New York, NY © 1979

Trends

Edited By John A. Conway

Independence? Well . . .

If it succeeds in its billion-dollar attempt to take over McGraw-Hill, American Express vows to take special steps to maintain the editorial integrity and independence of the big publisher. (Chairman Harold W. McGraw Jr. had cited a possible loss of independence as a major obstacle to any deal.) How would AmEx preserve that independence? FORBES recently was turned down flat when it sought an interview with American Express. Why? Editor-in-chief Malcolm S. Forbes had criticized the takeover in his Fact & Comment column *(Feb. 5)*, an AmEx spokesman said, and the company was refusing the interview because it assumed any FORBES story based on it would also be critical. (Forbes had commented: "I hope [McGraw-Hill] stockholders opt for the independence of this great firm instead of a quick buck.") In this instance at least, American Express seems to have been less than enamored of editorial independence.

A banker's lament

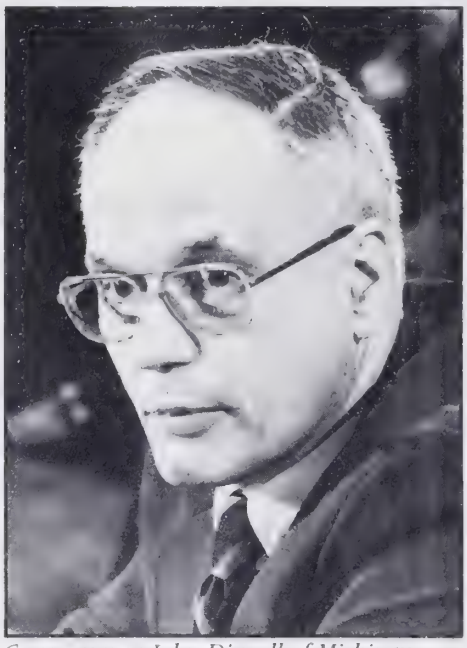
Federal Reserve Board Chairman G. William Miller may suffer an occasional twinge of frustration in his work but it doesn't affect his sense of humor. His job is considered a mystery, he says, because few seem to realize that the Federal Reserve is the country's central bank. "Millions of Americans think it's a wildlife preserve," he says wryly. "Most of the others think it's a rare old whiskey of some kind."

Who pays Johnny's bills?

Public schools, for the first time in U.S. history, are getting more of their money from state treasuries than from local school districts. During the current school year, states will provide 47.4% of the funds, local districts 43.7% and the federal government 8.8%. Two years ago, local districts supplied 52.7% of public school financing, the states less than 40%. California provided the most dramatic turnaround when the now-famous Proposition 13 chopped local property taxes by 57% and forced the state to begin picking up 65% of its school bills, compared with 38% last year. Other states, however, are paying an even greater share. Hawaii leads, supplying 80.5% of local school funds; Kentucky pays 71.6%; New Mexico and North Carolina, 67%; Alabama and Delaware, 66.2%; Alaska, 66%. Proposition 13, in fact, only highlighted a trend. The big shift, according to the National Education Association, has been caused mainly by local resistance to school bond issues and taxes, combined with court decisions ordering more equitable funding among school districts.

Logic and the law

Congressman John Dingell is taking a special interest in insurance, and one of the first bills into this session's hopper outlines his ideas of what to change. First, he calls for an end to any discrimination based upon "race, color, religion, sex or national origin." This Michigan Democrat says insurance companies should use criteria like smoking habits, physical condition, family health history and occupation. (Insurance men will probably wonder just what Dingell thinks they have been using.) They may be equally puzzled by some of the logic the congressman uses to justify his bill. Dingell argues, for instance, that rates based on tables that show women living longer than men are discriminatory. Why? Because, he says, only about 14% of women live longer than men and many women actually die sooner than the average man. See?



Congressman John Dingell of Michigan
Why Capitol Hill can be baffling.

Saving the savers

Congressmen are lining up to promote personal savings. Senator Lloyd Bentsen (D–Tex.), who sits on the Senate Finance Committee, wants to exempt the first $500 in interest on savings accounts from income taxes for individuals (and the first $1,000 for joint accounts). Representative John Rousselot (R–Calif.), a member of the tax-writing House Ways & Means Committee, is pushing two bills, on exclude $1,000 in interest from taxat the other to exclude $2,000. Twenty c gressmen are backing a bill provid partial exclusion for various groups savers, and Silvio Conte (R–Mass.) wa persons over 65 to have a $5,000 exer tion from taxes on interest. Taking s another tack, several congressmen h proffered bills to make tax-free mo placed in special housing accounts signed for later home-buying.

Bubble, bubble, toil and trouble

The big methane gas bubble that waf through Wall Street last year is prov difficult to keep afloat. Energy watch had seen dreams of plenty in estimate geo-pressured methane—natural gas solved in hot brine—ranging from trillion to 5,000 trillion cubic f enough to supply the U.S. for centuri Armed with a Department of Ene contract, General Crude Oil Co. of Dal sank a $4.1 million well on the Te Gulf Coast last winter. It caved in, tr ping 5,000 feet of drill pipe, and had to capped. General Crude is trying anot site, 500 feet away, this time taking s cial precautions against collapse of shale which occurs in combination w the area's gas-bearing sandstone. If t second try works, the well is expected produce 2 million cubic feet of gas day—dissolved in 40,000 barrels of bri So now there is problem number tv the cost of getting rid of that Niagara salt water. The bubble is going to tak lot of blowing.

Humphrey's dream

Gently but firmly, Washington is writi off even the watered-down goals set the Humphrey-Hawkins Act as it w passed by the last Congress, largely sentimental tribute to the late Hub Humphrey, the Democratic senator a vice president from Minnesota. Alice Rivlin, director of the Congression Budget Office, concedes that few econ mists believe in Humphrey's dream th inflation can be cut to 3% and unemplo ment to 4% by 1983, at least by emplo ing traditional fiscal and monetary po cies. Charles Schultze, the chief Whi House economic adviser, also says it wi be "very difficult" to rein in unemplo ment and inflation at the same tim Those two goals, in fact, tend to contr dict one another, one reason Preside Carter backed off from his 1976 can paign commitment to Humphrey-Ha kins and went along with the emascula ed version finally passed last year. Th

l stated that anti-inflation policy ould not be allowed to interfere with ll-employment goals, a pious hope but a ew that no one in Washington takes ry seriously.

The population map

ie boom states of the next two de- des, at least in people, will be Florida, izona, Nevada, Colorado and Alaska, cording to new census projections. By e year 2000, Florida is expected to gain % in population, Arizona 73%, Neva- 54%, Colorado 53% and Alaska 49%. ie smallest increases are expected in ew York, Pennsylvania, Ohio and Illi- is. The projections assume that the gration patterns set between 1970 and 75 will hold true. If they do, the South d West will grow twice as fast as the st of the country.

Color chart

nerican car buyers have made another itch in choosing colors for their new tomobiles. According to Arthur H. oth, automotive color manager for Du nt (largest supplier of Detroit's paints), ver-gray has moved into the top spot the first choice for full-size and inter- ediate models, with a 1% margin over e previous favorite, medium blue. hite ranks number three. Solid black enry Ford's original one-and-only op- n for the Model T) is gaining slightly, oth says, in part because buyers like e graphics that builders are adding to ghten their all-ebon models. Among yers of compacts, medium blue has splaced red as the most popular hue d, for vans and trucks, white has ssed dark brown as the first choice.

Scrap over scrap

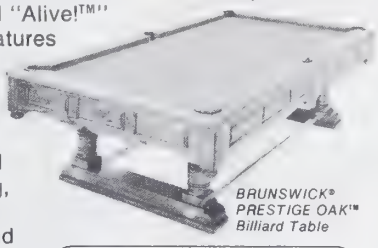
eelmakers, who are still complaining at imports are hurting them, are now in arms about exports. This time, the eelmen want the government to clamp ntrols on outgoing shipments of scrap etal. Scrap prices, they charge, have mped to $102 a ton since last summer, 1% increase. They blame exports, say- g that scrap is flowing out at a higher e than even in 1973, the last time port controls were imposed. Scrap alers are fighting the idea, maintaining at exports are not to blame. The U.S. s enough scrap on hand to supply its eds for 14 years, the dealers argue, iming that the real problems are bad ather in the big industrial states here scrap metal is generated) and a ortage of railway gondola cars to ship e stuff to customers. ■

Brunswick, the people who brought you Air-Hockey,™ bring you

ARCADE-QUALITY HOME PINBALL.

Now, all the size, fun, and action of arcade-quality pinball comes home with home pinball from Brunswick. New "Aspen™" and "Alive!™" are packed with features like fast-action independent flippers, six digit electronic memory for up to 4 players, double and triple bonus scoring, electric sounds, musical fanfares and more. With solid-state dependability.

Take a cue from us when it comes to billiards. Our elegant Prestige Oak™ billiard table is just one of the renowned creations from our complete line of billard tables.



BRUNSWICK® PRESTIGE OAK™ Billiard Table

Brunswick home recreation. From Air Hockey™ to pinball and beyond.

For information, contact your local Brunswick Franchised Billiard Dealer or Leisure Mart. Or fill in the coupon below.

BRUNSWICK *Since 1845*

Dept. F-39

BRUNSWICK CORPORATION, CONSUMER DIV. MARKETING SERVICES
One Brunswick Plaza, Skokie, IL 60077

I'm interested in the following BRUNSWICK® products:
☐ Billiard tables ☐ Game tables
☐ Home pinball ☐ Billiard supplies

Please send me more information and the name of my nearest dealer. In Canada, phone (416) 277-9561

Name

Address

City, State & Zip

Phone

RENEW YOUR ROOFS

The Randustrial® Roof Spray System resaturates and renews your dried out felt roofs. Our premium grade SHIELD-TITE® ROOF PRESERVER is sprayed over your old roofs by your own men. We'll loan you our equipment and instruct your men in its use. You'll have watertight, pliable roofs that will resist the roughest weather for years to come – and you save the cost of hiring a contractor. Inquire for a copy of our 64 page catalog which contains all the details.

Send a Free copy of your 64 page catalog to:

NAME, TITLE_____

COMPANY_____

ADDRESS_____

CITY, STATE, ZIP_____

PHONE NUMBER_____
area code number

Randustrial® Corporation
Sales Offices in Principal Cities

13306 Union Avenue
Cleveland, Ohio 44120
Phone: (216) 283-0300

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).

Canadian orders, add $4 a year.

Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)

New Address:

City

State Zip

F-4826

Follow-Through

Saga of the Stuyvesant

When Seatrain Lines' young president, Stephen Russell, maneuvered his company's $120 million, 225,000-ton tanker Stuyvesant into the Alaskan oil routes, FORBES *(Oct. 15, 1977)* regarded it with astonishment and admiration for its daring combination of business savvy—and sheer nerve.

The play opened when the Stuyvesant slipped down the ways into a world market slowed by a glut of oil carriers and then becalmed by the OPEC embargo. The only blue skies were over the routes that would handle the new flow of Alaskan oil. Russell steered for them and promptly ran aground. The 1920 Jones Act closes domestic shipping routes—and the Alaska run is one—to foreign carriers and to American ships built with taxpayer subsidies. Seatrain had used $27.2 million in subsidies for the Stuyvesant (plus $28.8 million more for her sister ship, the Bay Ridge, still abuilding and also aimed at the Alaska business). Unfazed, Russell first asked Washington to let him carry North Slope oil anyway. The resultant uproar from competitors with unsubsidized tankers killed that, so Russell dealt a new hand, offering to repay the Stuyvesant's subsidy if the Jones Act restrictions were waived. The Commerce Department agreed and gave Russell 20 years to repay at 7.9% interest, a boon indeed, considering that Seatrain had negative working capital the previous year.

Calling for a new deal and a new look, three competitors, Shell Oil, Alaska Bulk Carriers and Trinidad Corp., sped to court. But while the lawyers argued, the Stuyvesant was sold on a leveraged lease back to General Electric Credit Corp. and began hauling Alaskan oil under charter to Sohio. A few months later, a U.S. district court upheld Russell's move and the outraged competition went to the U.S. Court of Appeals.

This month, the appeals court in Washington, D.C. ruled the other way. shipbuilding subsidy, a majority foun meant that under the Jones Act "the sh is dedicated to the U.S.-foreign trad Whether repaid or not, "the subsi stamps indelibly the character of t ship then and thereafter."

The judges' decision puts the Stuyv sant back into troubled waters. It al spells potential trouble for the Bay Ridg even before the latter leaves the Broo lyn Navy Yard. Seatrain wants to put t second ship into the Alaska business b so far has been unable to get the approv of the Commerce Department, whi proved so accommodating in the case the Stuyvesant.

Russell, who has raised Seatrain's o erating revenues from $345 million 1974, the year he came aboard, to $5 million last year, is holding a stea course. Seatrain will seek further a peals-court reviews and, if need be, vow to go to the Supreme Court. (Under a counting rule FASB 13, although t Stuyvesant was sold to GE Credit, Se train must treat the transaction as a loa and keep the ship on its books, both as liability and as an asset.)

Growing pains

"That rare bird, a new investment idea, was FORBES' first reaction to MassMu tual Corporate Investors, a $94 millio closed-end fund launched in 1971 b Massachusetts Mutual Life. Reportin on the venture's first year *(Sept. 1, 1972* FORBES added that "when the inves ment history of the early Seventies written, the prize for useful originality could well go to the "normally stodgy Springfield, Mass. insurance firm.

MasCp (which is how the New Yor Stock Exchange lists the stock) differe from regular mutual funds because it ha no commitment to redeem shares, an from standard closed-ends because ther was no market valuation for most of it investments. What it proposed was t

The Seatrain tanker Stuyvesant shows her lines in New York harbor
It takes more than seamanship to make a profit at sea.

Follow-Through

t its money into private placements, a actice that the parent insurance com- ny had raised to a fine art. In effect, ch placements let the lender earn not ly interest but equity extras like war- nts or convertibles, with little down- e risk. "It becomes a game of heads win, tails we don't lose," was the mment of Richard Dooley, who then both MassMutual's private place- nts and the new fund. (He is now ecutive vice president and chief in- stment officer.)

To make sure the new fund's investors ed the same odds, the Securities & change Commission laid down a re- irement that the parent company had invest jointly and equally in any ven- e and had to get out in unison as well.

The rosy future expected both by Doo- and FORBES, however, didn't quite rk out.

First, MasCp got off to a slow start. derwriters demanded and got a hefty million of the original $100 million tation, shrinking assets-per-share im- diately from $25 to $23.50. Dooley mes the initial hitches on the fact t the SEC wanted the fund fully and iftly invested because it took a dim w of anyone collecting a 1% manage- nt fee on unused funds. "To place $94 llion in 18 months was too fast," Doo- says. "Investing had to be done in a rry and thus was overly sensitive to economy and the stock market."

Then, the game of "heads we win, ls we don't lose" proved to be any- ng but a sure thing. MasCp had win- rs—Dooley cites a $2 million gain on ker Drilling, another of $800,000 on oan to American Broadcasting. But ere were lemons, too. He winces en he recalls Richard Abel, a com- ny merchandising books to college okstores. Abel ran into inventory blems in 1976 and handed Dooley d MasCp a $1 million loss.

Today, MasCp sells on the Big Board at ound 16 and Dooley thinks the fund d its shareholders (today 11,000 in mber) are in good shape. The fund now up to $100 million and is fully invest- its management has enough time to n. "We can afford to be pretty selec- e," he says, about the $10 million or MasCp will invest this year. The d's policy is to retain capital gains for nvestment and to pay out earnings as idends. These reached 40 cents a arter in the mid-1970s, were cut to 38 nts in 1977 and moved up, in three ges, to 42 cents last year. So while it s turned out to be no bonanza, MasCp yielding close to 7% on the original ce—and who knows? It may yet hit me more big winners.■

New from OLYMPUS Optical Co., Ltd.

THIS NEW MICROCASSETTE™ PEARLCORDER™ REMEMBERS NOT ONLY WHAT BUT WHEN!

Pearlcorder™ D130 Microcassette™ Tape Recorder with the exclusive Quartz liquid crystal display clock, timer, stopwatch and digital tape counter.

Plus plug-in modules: AM and FM tuners, interview microphone, voice-actuator, and more.

If you appreciate the finest things in life, you'll understand why this is the costliest Microcassette™ recorder made. And you'll want this miraculous memory machine with up to 2-hours of recording on a tiny tape. Under $350, at your Olympus dealer. Or write for brochure, to Olympus Corporation of America, 4 Nevada Drive, New Hyde Park, N.Y. 10042.

MICROCASSETTE™ AN OLYMPUS DEVELOPMENT

Pearlcorder™ D130. The audio-video memory.

Ireland...friendly, unspoiled, inviting, exciting. From sightseeing to shopping, from castles to cottages, to the Abbey Theatre. And it's described to perfection in this beautiful 32-page full color book. Take the first step toward a perfect vacation by writing, then see your travel agent.

IRISH TOURIST BOARD
Box 1200
Long Island City, New York 11101

IRISH TOURIST BOARD, BOX 1200, LONG ISLAND CITY, N.Y. 11101

Please send me your free, 32-page color book, "From Ireland With Love."

YOU DON'T HAVE TO BE IRISH TO LOVE IRELAND

NAME

ADDRESS

CITY STATE ZIP

MY TRAVEL AGENCY IS

A REASSURING MESSAGE TO ALL TURKEY FARMERS, EAR PIERCERS AND NOTARY PUBLICS.

Most insurance companies won't go near turkey farms.

And they were never too interested in covering hair removers, escrow agents or skydivers.

But at AIG, insuring the unusual has always been business as usual.

And now, writing these special policies is even easier. Because New York State changed its policy.

On September 1, 1978, the Free Trade Zone was created.

As a result, lengthy and often costly delays were eliminated. Because insurance companies licensed in the Zone are no longer required to file policy form and rates in accepting unusual risks.

AIG companies were the first to write unusual coverages in the Free Trade Zone

And we have more companies licensed to do so than anyone else. Six in all.

Through your broker, we can insure against drought or leaky waterbeds.

We can cover tree surgeons or paramedics. Auto racing or space travel.

We can make safety consultants feel safer and private security forces more secure.

In fact, there are hundreds of unusual risks we can cover.

And that list may be added to in order to meet your needs.

If you'd like to know more about the Free Trade Zone, please send us the coupon below.

We think everyone from actuaries to zookeepers have the right to rest assured.

AIG'S "FREE TRADE ZONE" POLICIES

Please send me more information, including a list of the unusual risks covered in the Free Trade Zone.

American International Group
Dept. A, 70 Pine Street, New York, N.Y. 10005

Name_____

Firm_____

Address_____ Tel_____

AIG

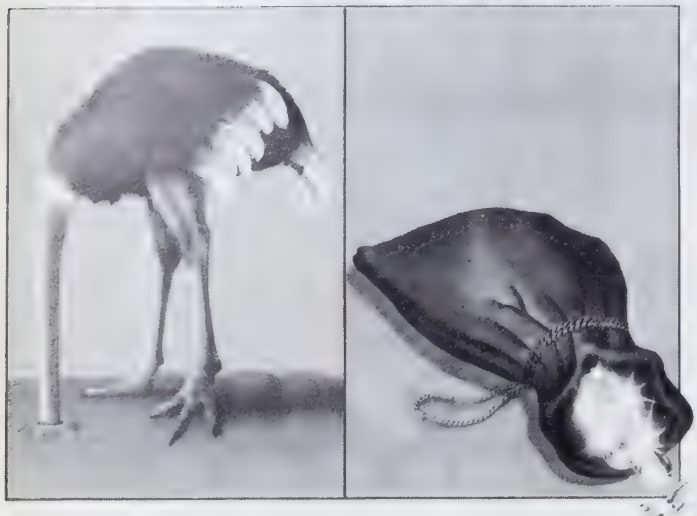
WE OFFER MORE KINDS OF INSURANCE THAN ANYONE IN THE BUSINESS.

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with an AIG company.

F9

AIG companies licensed in the Zone: American Home Assurance Company, Birmingham Fire Insurance Company, Commerce and Industry Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pennsylvania, Landmark Insurance Company, The Insurance Company of the State of Pennsylvania

TWO WAYS OF DEALING WITH CONTINUING INFLATION.



Face it. Constant inflation has gone beyond theory.

It's now a part of realistic economic planning. And you should count on it undermining the future value of your earnings, retirement plans and investments in general.

Diamonds, on the other hand, have consistently hedged the effects of inflation.

The reason? Diamond supply is limited by an international cartel which keeps diamond prices responsive to the international economic picture.

All of which ought to suggest that now is prime time to contact an International Diamond Corporation Certified Diamond Counselor.

He's a financial specialist who's been thoroughly schooled in every aspect of the investment diamond industry. Each month he holds a free class to show you how to invest in diamonds for maximum liquidity, security and profit.

Phone us for the name and number of your local Certified Diamond Counselor. International Diamond Corporation, 30 North San Pedro Road, San Rafael, CA 94903, (800) 227-1490, in California (800) 772-3338.

INTERNATIONAL DIAMOND CORPORATION
CERTIFIED DIAMOND BROKERS

Borman versus Amtrak

Mr. Borman, boss of Eastern Air-s, states the government could buy airline ticket for every Amtrak pas-ger traveling between Chicago and mi for less than subsidizing the same trak service *(Other Comments, Feb. 5)* id Mr. Borman's cost of an airline et include government money spent uild and maintain the Chicago and mi airports?

e Lehman
lake, Ohio

Who is paying for the airports, FAA, r, etc.? Also, who is paying for the l the airlines haul? Come down from clouds, Mr. Borman, and recognize fact that we are all subsidized.

H. Budwill
homa City, Okla

You and others discussing Amtrak to comprehend the isolation of com-nities and small towns when railroad senger service is cut off. Most com-nts against the operation of Amtrak ne from people in large metropolitan ters usually adequately served by air-s, trains, bus routes, interstate free-s, etc.

harles P. Vickers
le, Wash.

They will spend it

While it would be highly advanta-us for us to decontrol oil and gas es in this country *(Fact and Comment, 22)*, to advocate that "a pretty good k of that cost ought to be straight ral tax" because the added revenue ld "largely reduce the anticipated billion deficit" is naïve. Do you real-believe that increased tax revenues lt in a decreased deficit? The bureau-s and politicians always spend it fast-han it can be collected.

onald M. Doyle
neapolis, Minn.

Save the Children

Your article on charities *(Feb. 5)* re-ed that Save the Children "live[s] off rnment grants." In fact, in 1977 only % of total income was received from government. That article also stated he chart on page 50 that but 55% of ome was expended on our programs. t figure is a distortion in that Save Children received on the last day of iscal year a bequest from Eli Lilly of $3.3 million, reported as income in the annual report, but obviously not spent in a 24-hour period. Excluding this onetime bequest produces a figure of 76.8%, a commendable income spent on programs. This extraordinary item should have been included in your "Unexpended income" column.

—David L. Guyer
President,
Save the Children
New York, N.Y.

FORBES *is pleased to set the record straight*—ED.

Coke may replace tea

SIR: I signed my agreement with the People's Republic two days before President Carter announced full diplomatic relations.

—J. Paul Austin
Chairman,
The Coca-Cola Co.
Atlanta, Ga.

This 1977 FORBES *advertisement appeared in* The New York Times, *the* Wall Street Journal *and* Advertising Age—ED.

"Orwellian" crimes

SIR: When a corporate president, Mr. Park, is convicted by OSHA and the Supreme Court of the "crime" of allowing rats in his warehouse *("The boss in the slammer," Feb. 5)*, one wonders just how oppressive our sick government has become. Mr. Park is now a "criminal" because he could not accomplish what man

MORE BRITISH THAN A STIFF UPPER LIP.

Nestling near Belgrave Square, London, is the Ladbroke Belgravia Hotel. Central, but blessed with a distinct air of tranquillity.

It's small, friendly and exceedingly civilised. It has 110 rooms, each equipped with colour television, direct dial telephone, and individual air conditioning.

It's the kind of hotel where your drink is served, not in an ordinary glass, but in one of cut crystal.

Where, between sips, you can nibble on a canape or two, chosen from those presented on silver trays by the waiter. Asparagus and smoked salmon, perhaps, or a piece of robust English cheddar.

Should disaster have struck earlier in the day, or at best just minor inconvenience, you'll discover a needle and thread in your room to help rectify the situation.

The bathrooms are complete with a telephone extension, so you can retain your dignity, instead of having to scutter, dripping, to the bedside table.

And if we can't provide you with a certain something, it's really nothing to worry about.

Harrods is just round the corner.

Ladbroke Belgravia

LADBROKE BELGRAVIA HOTEL · CHESHAM PLACE · LONDON SW.X 8HQ

For reservations call 800 621 8336 (in Illinois call 800 972 8089) or see your Travel Agent.

AND A THRIFTY SPECIAL ACCOUNT CAN SAVE YOU UP TO 48.7%. In order to "out-Thrifty" Thrifty, our major competition would have to give you a discount of up to 48.7%. Maybe more. Our Special Account program offers two ways to save. For short distances, rent a Chevrolet Monte Carlo or similar car for only $16.95* per day plus 10 cents a mile. Or choose the Freeway Special at $21.95* with the first 150 miles included. In each case you pay for the gas. And you choose the plan that saves you the most after you turn the car back in.

We'll include $1 million combined single-limit BI/PD insurance in the bargain, plus collision protection with $100 deductible—as opposed to competition's $250 deductible.

We'll give you lots of extra Thrifty service, too. Like confirmed reservations on any size car, courtesy airport pickup and delivery and more.

And we'll provide it at nearly 400 destinations in all 50 States, Canada, Central America and Great Britain.

For details, send the coupon. We'll give it very special attention.

THE OFF-AIRPORT CAR RENTAL CENTERS.

THRIFTY® RENT-A-CAR

*Slightly higher in a few areas.

Thrifty Rent-A-Car System, Inc., 430 Exchange Center, Box 35250
Broken Arrow Expressway, Tulsa, Oklahoma 74135

Please send me Special Account information my company needs. I understand we are under no obligation by making this request.

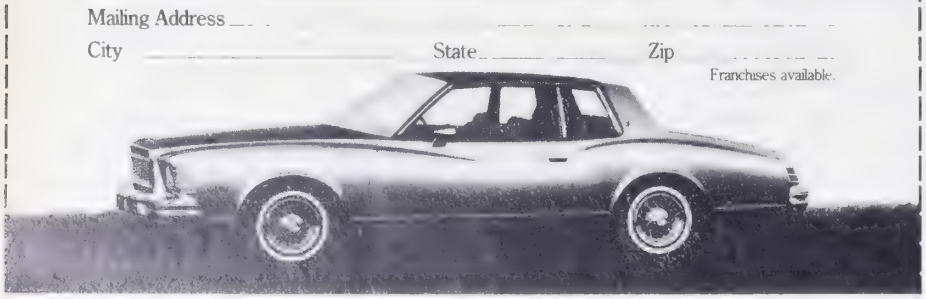
Name _____ Title _____

Name of Business _____

Mailing Address _____

City _____ State _____ Zip _____

Franchises available.



Readers Say

has attempted since recorded histo ridding an abode of rats.

This new system of "justice" whi allows and encourages unelected, respo sive-to-no-one bureaucrats to create n categories of "crimes" by writing rules the *Federal Register* is as barbaric and di bolical as any system in Russia. The are already ample laws to punish anyo even a businessman, who commits a r crime. We are entering an Orwellian a wherein all errors of any type must punished by the "authorities."

You think I exaggerate? A GS-6 rece ly wrote up a rule violation against n because he disagreed with the way I d my paperwork, proposing a seven-figu fine that totaled more money than I ha earned in my life, and I am well paid.

—Wyatt E. Craft
Jackson, Miss.

A correct forecast

SIR: I look forward to watching your fo cast *("1979 will be a* good *year," Fact a Comment, Jan. 8)* proved correct. . . .

—W. Michael Blumenthal
Secretary of the Treasury
Washington, D.C.

Balance that budget!

SIR: I am disappointed in M.S. Forb Jr.'s opposition to a constitutional pro sion requiring a balanced budget *(Fo and Comment, Feb. 5).* The Congress stealing my savings.

Good for Governor Jerry Brown! W not let us vote on it?

—L. Frank Salisbury
Sarasota, Fla.

SIR: I have news for you. The people want a balanced budget, in all branches government. Maybe, as you say, Congre can give it to us, but the meat of the iss is, Congress won't. Politicians historica ly fail to listen and, like the farmer's mul you have to hit them in the head with two-by-four just to get their attention.

—C.R. Sturgeon
Tulare, Calif.

Great time machine!

SIR: While going through the July 1 1978 issue of FORBES I'd kept for refe ence, I ran across "Is time running o for the Shah of Iran?" Does FORBES ha some sort of time machine? If so, I'd li to ride on it!

—Wm. P. Waltner
Aspen, Colo.

"If you travel half as much as I do, Lanier's new Vest Pocket Secretary™ can help you get more done."

—Arnold Palmer

Arnold Palmer the golfer is also Arnold Palmer the businessman. And like most busy executives, Arnie has found that when he's out of the office, paperwork really piles up.

Now he has the solution in the palm of his hand. Lanier's incredible new Vest Pocket Secretary. It's the smallest, lightest, easiest-to-use dictation unit Lanier has ever made. Small enough to fit comfortably in your vest pocket. Easy enough to work with one hand. You can dictate a full hour's worth of ideas, memos, and letters, all at the touch of a single button.

A busy Arnold Palmer has discovered he can get a lot more done than ever before. You can, too.

Mail this coupon, or call Jennifer Scott toll-free at (800) 241-1706 (except Alaska and Hawaii). In Georgia call (404) 321-1244 collect.

142NC9

☐ Please contact me with more information about the Vest Pocket Secretary.

Name_____ Title_____

Company_____ Phone_____

Business Address_____

City_____ State_____ Zip_____

Mail to: Lanier Business Products, Inc.
1700 Chantilly Dr. N. E., Atlanta, Ga. 30324

LANIER®

LANIER BUSINESS PRODUCTS INC

Get a lot more done in a lot less time.

International offices in: Australia • Belgium • Canada • Denmark • England • Finland • France • Germany • Ireland • Netherlands • New Zealand • Norway • Puerto Rico • South Africa • Sweden • Switzerland

The spacious Newport interior. It comes with standard cloth/vinyl bench seat and center armrest.

Just when you thought luggage space was passé, Newport delivers all this room for families who like to roam.

1979 Chrysler Newport. Why pay the price of a Chrysler and not get one?

At $6762, the Chrysler Newport shown is sticker-priced like a comparably equipped Chevy Caprice.

That's an unexpected price to pay fo all the things you expect in a ca built by Chrysler. Things like the ex cellence of Chrysler engineering an attention to detail. Like extensiv new corrosion protection. Like tha very special Chrysler feel and ride.

And you probably didn't expect a ca this size to deliver good gas mileag Yet it does that, too.

Check Newport's impressive stand ard features. Compare Newport price. Now you know. Chrysler ex cellence is beautifully affordable.

Along with Newport's newly designed instrument panel, you'll find the standard "smart switch," an ingenious device that controls four separate driving functions.

79 CHRYSLER NEWPORT 4-DOOR

s shown.)

icker Price	$6,215
5, 2-bbl., 6 cyl.	STD
nch Seat with Center Armrest	STD
ll Instrumentation	STD
igital Clock	57
mper Rub Strips	STD
nted Glass	STD
ual Remote Mirrors	44
nyl Roof	152
M Radio	106
eel Belted Radials P205/75 R15	134
emier Wheel Covers	54
OTAL	$6,762

axes and destination charges extra.)

17 EPA EST. MPG 23 EST. HWY

Use number in box for comparison. Your mileage may differ depending upon speed, weather and trip length. Your actual hwy mileage will probably be lower than hwy est. Calif mileage lower and optional V-8 engine required.

CHRYSLER

A PRODUCT OF CHRYSLER CORPORATION

1979 CHRYSLER NEWPORT

Report from Number One Wall Street

How Irving's Corporate Financial Counseling works for companies.

Practiced and practical. Each year, Irving's Corporate Financial Counseling professionals hold seminars on subjects of interest to corporate managers. And when Victor Suhar, International Group Manager, conducts sessions, the subjects are international in scope.

"We're working practitioners," he explains, "so we speak from experience.

"Recently, for example, we were retained as counsel on foreign exchange risk management by a U.S. manufacturer of industrial equipment having heavy equity participations abroad. Our assignments: first, design a program to reduce foreign exchange risk. Then, evaluate the company's equity investments overseas.

"Later, a European affiliate engaged us for a recapitalization and a five-year financing plan.

"Experience like this enables us to make successful recommendations for our clients worldwide."

Independent, informed counsel. "Last year alone, some 500 companies called on our services to meet a wide variety of needs." Speaking: Harry Lund, Domestic Group Manager, Corporate Financial Counseling.

"Broadly, we're corporate consultants on all matters of long-term finance and financial management. We assist our customers in areas ranging from mergers and private placements to dividend policy and profit goals. We're a source of up-to-date information and insight on financial issues. And we've a supplemental staff to help with bi or urgent projects.

"But most of all, we offer something that managers just can' find in their own companies—an independent, informed opinion on problems of corporate financing and policy."

The Olympic bank. Irving is well-prepared to serve as the Official Bank of the 1980 Olympic Winter Games. After all, we have more than 100 years of experience in international banking.

V. Victor Suhar, Vice President, Corporate Financial Counseling

Harry A. Lund, Vice President, Corporate Financial Counseling

Irving Trust Company. Unique. Worldwide

A CHARTER NEW YORK BANK

THE OFFICIAL BANK OF THE 1980 OLYMPIC WINTER GAMES.

Member F.D.I.

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

LET'S TAKE THE FIRST STEP PROMPTLY

ne volunteer Army is faltering more every day.

ne Joint Chiefs, political Nervous Nellies, at the moment only ready to ask for a standby draft system that would ire registration and classification and—maybe—testing of t-age youth.

ur Ready Reserve has already shrunk from 1.6 million to 000. As for the volunteer Army, almost 40% of the male uits last fall were black, an inequitable situation in a democracy and one created largely by an unemployment rate among draft-age blacks of 39%, which is more than double the nation's average for youths.

The problem of having our military forces adequate to preserving the Free World won't go away by ignoring it.

If we haven't yet the guts and sense to reinstitute universal service, let's at least take step one, by restoring registration and classification.

THOSE FIGHTING 55 MPH CAN FORGET IT

that the same sort of gasoline crisis that brought on that in the first place looms again.

simply is an uncontested fact that at lower speeds engines burn less fuel than they do at high speeds.

Driving 55 is somewhat less of a problem than not having enough fuel to drive at all.

THREE CHEERS FOR SEARS!

They've struck a Telling (CEO Edward R.) blow against capricious, arbitrary and conflicting federal agency regulations and policies on equal employment.

WHEN HAIG RESIGNED AS NATO COMMANDER

pened to be in Europe and was astonished that so much of press there took seriously the possibility that he could me the Republican presidential nominee—simply be- e, apparently, Alexander Haig himself does.

aving enjoyed a sizable chunk of presidential power when Nixon was in mental and political limbo prior to his physical departure from the Watergated White House, General Haig, I guess, decided he liked the job enough to want it.

His chances, though, are probably only slightly ahead of those of thee and me.

INSTEAD OF FUMING ABOUT IRAN, MEXICO, SAUDI ARABIA

an—with a little vision—turn these not-unrelated prob- into opportunities. We're virtually forced to get going on ible solutions, since there's no way we can have our way, ne way, with any of them.

n's down the pipe for the indefinite future as former ntities of oil in the export pipeline go. Most present, and ainly all future, commitments for vast military purchases gone with the Shah.

ow, too, we have to start understanding the Saudis' posi- —Senator Church's fulminations notwithstanding. The long-powerful (200 years) Saud family is—wisely—worried should Khomeini turn Qaddafiesque, venting his anti-Royalist ire on the pro-American Saudi regime. The Saudis will not, cannot, march in lockstep to changing American tunes. Preserving Saudi's independence and its present regime is as much in our interest as theirs. They know what's required to do that better than we do. What's convenient for us isn't necessarily what's healthy for them.

As for Mexico—short-thinking Schlesinger has to be short-circuited, if not politically electrocuted, for his asinine aloof-

ness toward our southern neighbor. President Carter had better press for solutions to our gas-and-oil-pricing differences with this next-door neighbor who's burning off the gas we so need more and more every day. Mexico is contracting to ship oil from its Saudi-like reserves thousands of miles to Japan, to Europe and behind the Iron Curtain.

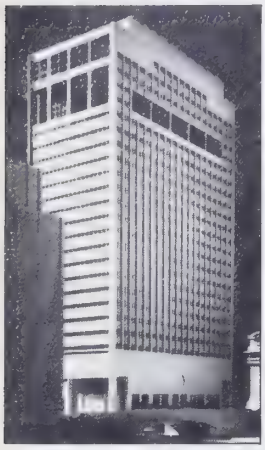
Here we sit, Schlesingering, while the vital stuff next door goes expensively past our front door. At the same time OPEC, by price, and Iran, by revolution, push their doors in Uncle Sam's face.

By facing up to what is the Iranian reality now, w eventually restore to some degree our trading relationship this "Islamic republic."

We can strengthen the Saudis by ceasing to Church th

We can lessen our oil/gas crunch by ceasing the old ha looking down our nose at our southern neighbor. We're de now with a Mexico who's blamed important to us. It power card on a par with any high card in our hand. W earnestly begin being a good neighbor, and be done wit empty Good Neighbor rhetoric so long used as a substitu

CORPORATE ARCHITECTURE: ONE AWEFUL, TWO AWFUL



Philip Morris

There's no call for Philip Morris to plunk this big square box on Park Avenue *(left)*. Wouldn't you think a company that has grown so swiftly by imaginative marketing, that has been a longtime patron of the arts, would extend its vision to architecture?

As for this proposed AT&T building *(far right)* in New York—surely it's a joke? Can you imagine Ma Bell actually building a monumental Chippendale highboy such as this? John deButts, who retired early this year as CEO of this extraordinarily successful corporate giant of giants, could have even further humanized the AT&T image by sending the architects to the showers and new ones back to the drawing boards.

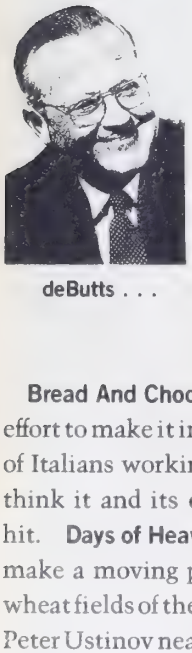
Avon

On the other hand, take a look at this breathtaking Avon tower *(center)*. To look up at this building is to lift up one's spirits. Even if you're just shuffling'-hustlin' along 57th Street in typical never-look-up New Yorker fashion, that nifty number "9" does a number on y

AT&T

Architecturally, anyway, Tiffany and Avo in a high-karat compatibility.

SPEAKING OF JOHN deBUTTS . . .



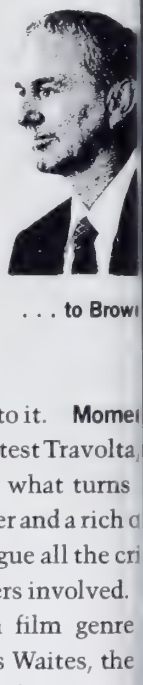
deButts . . .

This inordinately able guy is going to be missed, not only by everyone who has any connection (that's a pun) with AT&T, but by the Business Council and those in government who've been sensible enough to seek his counsel.

In our last conversation before his departure, deButts mentioned something which puts in context the size of both the company and its problems:

"If we handle 99.9% perfectly our 767 million telephone calls a day, that still would leave 760,000 customers who had a bad experience."

Thank goodness successor Charles Brown has what it takes to take over one of the biggest, toughest, most important CEOships in the world.



. . . to Brow

MOVIE REVIEWS

Bread And Chocolate—Depicts the frustrating, heartbreaking effort to make it in Switzerland by one of the multiple thousands of Italians working there. Though the film's won prizes here, I think it and its over-Chaplinizing hero miss more than they hit. **Days of Heaven**—Every frame of this stunning film would make a moving picture. A Dreiser-worthy tragedy among the wheat fields of the Texas panhandle in 1916. **Death on the Nile**—Peter Ustinov nearly murders Agatha Christie's bloody good fun whodunit. And Bette Davis shouldn't be dragged out of retirement any more. Still, the film's fun, the settings great. **Just Crazy About Horses**—If you've ever liked horses, or wondered why so many are passionate about one aspect or another of 'em, this superbly photographed, superbly paced documentary answers All, in the voices and actions of those really into it. **Momen Moment**—All the critics have dumped on this latest Travolta, I thought it was great. Imagine, a film about what turns genuine love between a Hollywood Strip hustler and a rich o woman that has a happy ending yet! The dialogue all the cri called trite, but I'd call it true to both characters involved. **the Yard**—By far the best yardage of prison film genre produced. First-rate actors, especially Thomas Waites, the lain Who's A Good Guy At Heart. Even the high suspense drama don't interfere with the message: that prisons a frustrating box for prisoners, and for guards and parole board well. **Superman** is good clean fun for kids of all ages. Fo others, this comic stripper just doesn't fly.

THE MOST SENSE ABOUT JAPAN AND U.S. TRADE

ade by Mike Mansfield, our ambassa-
in Tokyo, in his comments beginning
page 73 of the Japanese advertising
ion in this issue.

ormer U.S. Senator Mansfield merits
appellation of "elder statesman." Not
use of age and that he formerly held
ic office, but because as longtime
rman of the Senate Foreign Relations Committee he
a statesman and, in his present tough position, *is* a
esman.

ur present trade imbalance with Japan of $12 billion is a
factor in a trade deficit we can no longer afford if the buck
regain its health. Many, rightly, are pretty hot under the
ar when agreements with Japan which seem to reduce their
f barriers on American goods are balked by a distribution
em that proves a mighty second hurdle.

it Ambassador Mansfield makes a valid point: We want

Ambassador Mansfield and FORBES' Jim Dunn

immediate results and resent the patience required for the long-term approach. As any American doing business in Russia can testify, it takes years rather than months to learn *how* to do and then actually to do business in the U.S.S.R.

Our ire blinds us sometimes to the fact that Japan now is our largest overseas market. In 1978 our exports to Japan were over $13 billion—though that's only a bit better than half of what we buy from them. Japan has the world's third-largest economy. Its potential for increased U.S. sales is still great.

There's an enormous gap to be bridged in philosophical understanding; in our making the effort to gain as much practical knowhow as the Japanese have here; and between dollars and yen.

Those gaps are lessening though, thanks in major measure to Mike Mansfield.

THE UNDRIVEN
don't get there.

SHOW ME A GOOD LOSER
and I'll show you a steady one.

A WARNING TO INVESTORS

By M.S. Forbes Jr.

When we hear reports of record corporate profits, when we read about the number of multimillion-dollar cash acquisitions, when we are told that the major banks are still not quite "loaned up," when we are reassured that companies are keeping a tight rein on inventories, it is quite a shock to learn that the balance sheets of American corporations are in the worst shape they've been in since the dark days of 1974.

But as one politician used to say, "Let's look at the record."

Each quarter the FTC publishes SEC-gathered balance sheet data for all manufacturing companies, and the numbers make for grim reading. While many corporations may be awash in cash, many are not—or if they are, their pile of greenies is more than matched by increased short-term liabilities.

The SEC data show that the ratio of liquid assets (cash and short-term investments) to current liabilities (such as payables and short-term debt) is at the lowest level since the fourth quarter of 1974 when we were in the severest economic contraction since the 1930s. The critical ratio of debt-to-equity is at the highest level it has been during the post-World War II period. Most of this new debt is short term.

A.G. Becker vice president and economist Roy E. Moor brought attention to these numbers last summer in a report called, "The Most Bearish Story." The reaction among Becker's clients was disbelief ("It went against everything most of them had been led to believe"), but those numbers were unassailable.

What is so disturbing, says Moor, who recently updated these figures, is that we are not yet in a recession, when such low ratios would normally be reached. Despite big profits, companies have been laying out cash faster than they have been earning it.

Moor concludes glumly, "The most insidious characteristic of the situation is how the plague continues to spread, without as yet causing major fatalities." The longer this deterioration continues, "the more widespread will be the ultimate financial crisis." If a contraction does come, many companies will have precious little cushion.

"The signs of this deterioration are already appearing," warned Moor in a conversation with this writer. "Look at the bankruptcies of Food Fair and Allied Supermarkets. Look at the financial condition Firestone was in when it was hit with its radial problems. Look at the down gradings in bond ratings."

Another alarming aspect of this situation has been the growth of debt between companies in such areas as receivables and trade credits. In the past two years, this type of borrowing has jumped from $69 billion to $92 billion, or 33%. A major insolvency could have a greater impact on the health of other companies than in the past.

Moor dispels the misconception about capital spending. It started slowly after the last recession, but since late 1976 has been growing faster in real terms than the economy.

Because the last recession was preceded by a large inventory buildup, it is inventory that observers have been concentrating on. Like generals fighting the last war, we are overlooking what could precipitate trouble *today*. In short, many analysts have been lulled by reports of record profits and dividends, of cash hoarding, of sluggish capital spending.

All this isn't meant to suggest that we are on the verge of a great collapse. We are far from that. Moreover, the stock market has pretty much discounted a severe recession and corporate liquidity crisis. But the message to investors concerning individual companies is clear: When you get your 1978 annual reports, you'd better take a hard look at the balance sheet. Not just the asset side, but the liability side as well.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Iron Will and Hatred

During revolutionary years, success came only to men of iron will and red-hot hatred. Time and time again, men of moderate views failed because of a lack of will or an inability to take decisive action.

—J.H. Plumb, British historian

Respect for Customs

"Believe me, I feel shame as an Arab when I see the way some of us behave in London [said a Saudi multimillionaire businessman]. But I have no respect whatsoever for some Westerners when they come here and don't bother to learn the ways of the country. For instance, in the Arab world you never cross your legs and put the sole of your shoe in a man's face—it's an insult. If anyone comes into the room you get up. You'd be astonished how these small things have a bearing. Westerners come here with no respect for our customs, so they have no right to point fingers at Arabs who go to their countries."

—Linda Blandford, *Super-Wealth*

Corporations and Architecture

Private enterprise has come to rival government as a powerful patron of architecture; the chief patron of the past, the church, has largely been displaced. However, private enterprise has done little for the advancement of American architecture . . . having produced too few splendid structures such as New York City's Seagram building. . . .

New York City's Rockefeller Center has been the subject of countless laudatory articles in architectural publications, while the glass towers across Sixth Avenue have been virtually ignored.

—James Carberry, *Wall Street Journal*

"Natural" Is Dangerous

There are hundreds of highly dangerous "natural" chemicals, just as there are thousands of perfectly harmless "synthetics." Yet environmentalism has managed to establish the doctrine that everything in nature is "good," while things that are made in the laboratory hold the potential for destruction. . . .

Plants themselves are intensely involved in this struggle for existence and their form of "warfare" is largely chemical warfare. Certain cacti give off herbicidal chemicals that make it impossible for other plants to germinate in their immediate vicinity.

Almost everything we eat is a human invention that does not exist in nature. They are completely "unnatural" organisms that we have invented for our own purposes through a process of chemical and genetic manipulation. . . . Cancer-inducing chemicals occur naturally in many foods. Dr. Russell S. Adams Jr., of Penn State University, found that such common foods as rutabagas, tea, cabbage, turnips, peas, strawberries and milk all contain traces of chemicals that either cause cancer or are closely related to chemicals known to cause cancer. . . . The entire centuries-old effort of improving breeds for greater yields and better disease resistance could easily drown in the same sea of red tape that has already suffocated the pesticide industry.

—William Tucker, *Harper's*

Oil Swap

The shutdown of the Iranian oil industry has stretched world fuel supplies tight, increased American dependence on Arab sources and raised the prospect of shortage. Yet the oil fields of Alaska's North Slope are operating well below capacity. . . . When oil companies asked for the right to build the Alaska pipeline, they assured Congress that all the oil would be sold to West Coast refineries. To hold them to their word, Congress banned exports of Alaskan crude. . . . California burns only the lowest sulphur-content fuel oil and huge quantities of high-octane gasoline. Alaskan crude is too sulphurous. Alaskan crude might be sent East. But the only route is through the Panama C

"At last I've hit upon a cheap source of energy, Janet."

There is a neat solution: Let th companies swap their Alaskan oi Mexican oil that would otherwise er in Japan. The Alaskan oil would be fectly acceptable to Japan. The Mex oil would be a boon to the U.S.; it easily be processed in Gulf Coast ref ies. The result: everybody would transport costs. The swap would inc total world oil supplies. . . and re our dependence on foreign oil.

—*New York Times* edit

The trouble with governm regulation of the market that it prohibits capitali acts between consent adults.

—Professor Robert No

Swamis versus Shock

I have traced Hindu mysticism its origins to the present. What sh we say of it? I can speak only for mys have practiced meditation, with no except that of a close reading of the nishads. I found it difficult, but be cial. I know one thing: If I found m in a mood of profound depressio would go to an ashram rather than psychiatric clinic. The swamis m not be able to cure me, but at least would not fasten steel clips to my b and torture it with electric shocks.

—Aubrey Menen, *Hor*

The Essential Element

I think what is happening in educa is most disturbing. Students really not required to learn, they are not quired to study. There is no discipl Many are living without rules, with authority, without respect for autho How are these people ever going to quire the habits and the knowledge t can run the country, or run the busin es, or produce the works of art? All t means discipline. I don't write with working eight hours a day, sitting there and working hard. Among man these students there's no sense of w no respect for work, no sense of satisfaction you get out of it.

—Barbara Tuchn

Definitions

Bidet: American foot bath.

Husbands: when kept in hot wa they perform best.

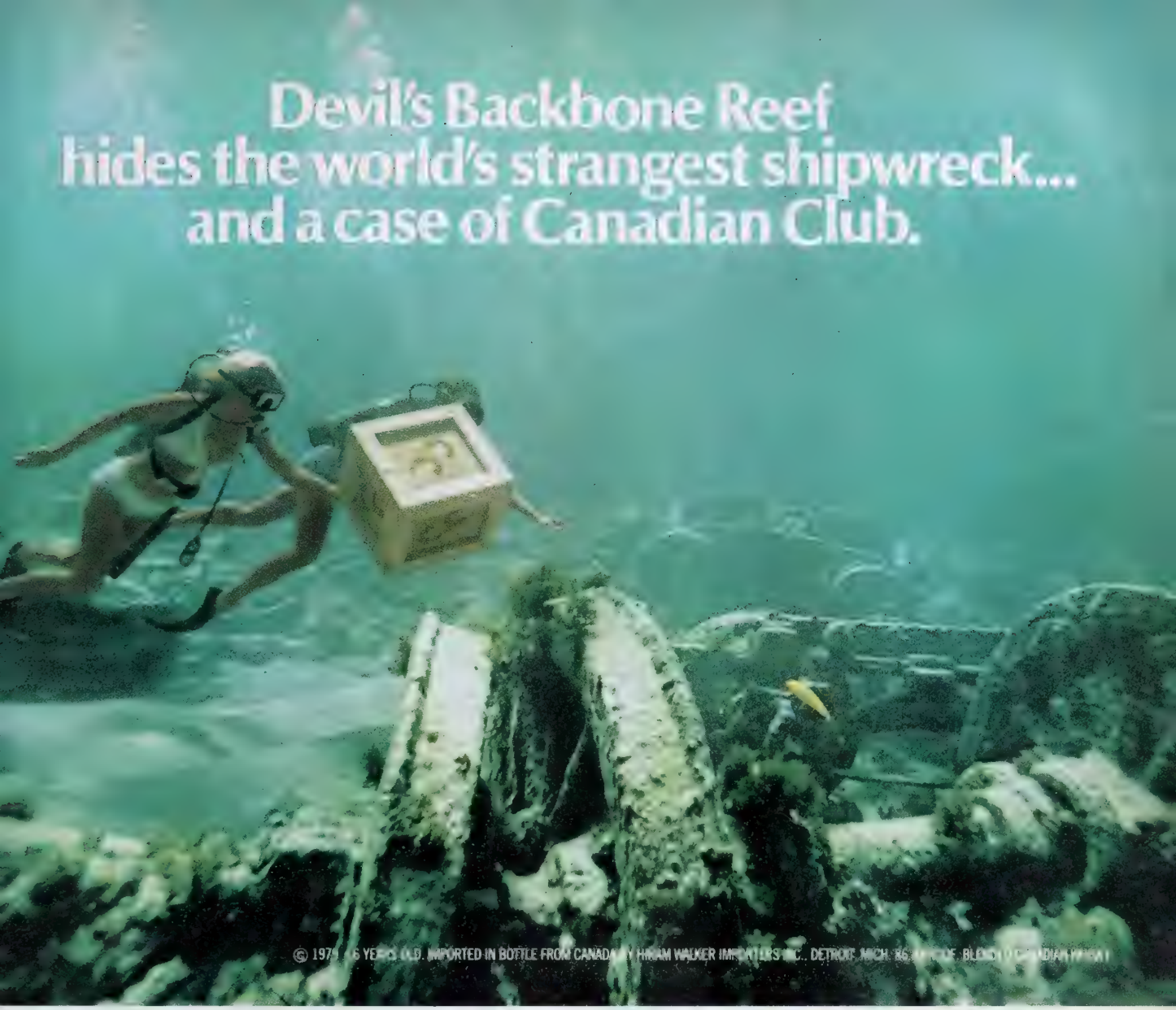
Ventriloquism: where your wife swers for you without moving your li

Yokel: a country egg.

—Bill Ma

How To Fill Mental Cavit

Devil's Backbone Reef hides the world's strangest shipwreck... and a case of Canadian Club.



Since Columbus first came ashore here, sailing men have been littering the brilliantly blue Bahamian waters with shipwrecks. Some carried treasure, some drowned heads. But the strangest of all carried a train.

Hell for ships, heaven for divers.

The train lies off Eleuthera's northern tip, scattered on Devil's Backbone Reef. At least six wrecks are strewn here: a diver's paradise, we thought, and a perfect place to hide a case of C.C.

We headed for Romora Bay Club on Harbour Island. The club could provide us a launch and guides to explore the reef. Nearby Dunmore Town could offer Bahamian entertainment, complete with Canadian Club. But no one could provide us with a reliable story of how or when the train had sunk on the reef.

This is exactly where the case lies.

Seek groupers, and bring muscles.

We combed Devil's Backbone till we found a devilish place to hide our Canadian Club.

To raise the C.C., you'll need scuba gear, guts and muscle: it weighs 200 pounds. Start where a "dinner boat" went down on Devil's Backbone. Follow a channel across the reef to an old Ward Line steamer wreck (try this only in bright sunlight or you'll lose your boat). Take a bearing from its bow. Not more than 200 yards along, where the reef slopes into deep water and a big Nassau grouper lives, we sunk the watertight case of Canadian Club.

May your seas for the search be as smooth as our whisky. Note: nonswimmers may discover their own Canadian Club adventure at bars or local package stores by just saying "C.C., please."

Canadian Club

"The Best In The House"®
is even better in the Bahamas.

We fly the world the way the world wants to fly.

Every day we fly the world.

We take Americans to Tokyo and the Far East. We take tourists from Australia to the American West. Business travelers from London to Frankfurt. We take Texas oil people to the oil capitals of the world. All on the world's largest fleet of 747s and 747SPs.

And because we have a whole world to fly, we have a good idea what the world wants from an airline.

They want attention. And they want to be left alone. They want to put their trust in long experience. And they want a lot of new ideas.

They want an airline committed to making air travel available to everyone.

And they want an airline that stays great by knowing how to get better.

See your Travel Agent, and suggest Pan Am, the airline that flies to seventy-one cities in forty-seven countries around the world. Every day.

PAN AM

©

The Collector's Series Lincoln Continental and Mark V.

For 1979, a special luxury edition of the Continentals, standards by which luxury cars are judged. Lincoln, America's roomiest automobile.* Mark V, with traditionally outstanding resale value.

LINCOLN-MERCURY DIVISION Ford

*Based on EPA Interior Volume Index

here else could so few make so expensive a fuss over so little of bstance as some U.S. farmers have been doing lately?

Tractorcade follies of 1979

ie and Ronnie Nation on tractorcade duty
decides how much risk-protection is enough?

ON SUNDAY MORNING, Jan. 21, Ronnie Nation, 35, and wife, Bonnie, 33, of Qulin (rhymes with duelin'), Mo., kissed their two children goodbye and mounted their $9,000 Massey-Ferguson tractor. With a fuel trailer in tow, the fuel itself paid for by well-wishing local merchants, the Nations joined 8 other tractors and 21 other vehicles assembled on an icy road near town for an 800-mile haul east to Washington, D.C. at 14 mph. More vehicles joined them as they chugged east in a curious journey that could only happen in America. The governor of Missouri flatly banned their tractors from his interstate highways, but once out of the state, police patrols courteously assisted them in getting on the road by 7 a.m. and off before dark. Empty lots or large roadside rests were at their disposal as overnight camping grounds.

Ronnie and Bonnie Nation reached Washington nine days later, where they joined some 5,000 other farmers, kin and supporters in the kind of exhibition that has come to be known as "the tractorcade." Normally, a tractorcade would be a predictable sort of spectacle, a power play blending realistic amounts of political hope and emotional hype. Alas, as choreographed by the American Agricultural Movement, a splinter group of uncertain but clearly modest size which seems to have invented it, last month's tractorcade broke through normal conventions into something approaching farce. In seeking to present the American farmers there as decent folk, spontane-

Tractorcade traffic jam
What, besides hype, was learned?

ously assembling to seek redress of serious economic grievances, the AAM more likely succeeded only in portraying them as manipulative zealots with a questionable grip on reality. The spontaneous elements in last month's production—the tractor driven into the reflecting pool, the grinding up of sod on the Mall and the smashing or burning of trees, information kiosks and traffic signs—nicely coincided with the presence of television cameras and reporters.

Last year, when the AAM tried out its tractorcade act, it played well enough. If the White House and the Congress did not provide farmers with 90% parity as a complete hedge against disappointing crop prices, they nevertheless gave a farm bill that provided a generous package of loan and subsidy programs. Thanks to the programs and to strong export demand, net farm income last year rose 40%, to some $28 billion, second highest in history. This year, with Washingtonians now paying $1.59 a pound for hamburger and 59 cents for a bunch of broccoli, it was hardly a surprise that the reception was chillier. So profoundly had audience sentiments shifted that Secretary of Agriculture Bob Bergland could afford to call the demonstrating farmers "greedy" and, in response to predictable cries of pain, offer only a reluctant and partial apology. The AAM was still plumping hard for 90% parity. But it seemed certain to be denied, with chances not much better that any significant consolation prizes would be forthcoming.

The tractorcade backlash resulted despite considerable efforts from many quarters, not by farmers alone, that went into mounting this year's show.

Some gave money. Among Ronnie and Bonnie Nation's well-wishers, for example, were their local John Deere and Allis-Chalmers dealers, each of whom contributed $500 to the AAM fundraising effort. A White dealership chipped in $200 in Qulin, Mo. Three local banks in Poplar Bluff gave $500 each. All of these banks, of course, have considerable amounts of money on loan to farmers in the area.

Some gave goods. In a neighboring county, Ronnie Nation says, an International Harvester tractor dealership leased two $26,000 tractors for $1 each for use in the Washington demonstration. (The $1 charge was a bit of legal tokenism to deal with insurance requirements.) Local oil companies contributed 1,500 gallons of diesel fuel and 500 gallons of gas—more than the tractorcade participants from the area could haul. Other local businesses gave lumber, paint, hardware and food. Even the "strike" headquarters in Qulin where the farmers organized was donated by a local farm store.

Some gave services. The White dealership plans to send special rigs to Washington big enough to haul some of the tractors and the men home. The farmers will pay only for gas the rigs use.

Farmers throwing in with the AAM Washington were clearly learning how manipulate the media with all aplomb of, say, Abbie Hoffman. One last month some of them loaded so tractors on a trailer on one side of Mall, drove the trailer to the other s where television cameras were set blithely gave out the word that m demonstrators had just come to to then unloaded the tractors to prove Whether they are learning more t that is impossible to say.

In any case, the reception Ronnie Bonnie Nation got was hardly likely t much consolation. They have borrow heavily in recent years to add to th acreage ($71,000 invested since 19 and buy farm equipment ($135,000 si 1970). Others may feel that the Nati decisions to buy or sell land are their o business, done at their own risk, but t their judgments of what return is reas able and how much insulation from r they are entitled to are not necessa final. Ronnie Nation apparently thi otherwise. He says that his 800-a farm, most of it in corn, gros $150,000 last year, that it netted, after costs, only $3,400 . . . and that it was nearly enough. ■

What's going on with prices at the unleade gasoline pump? While consumers try to puz zle it out, the government is caught in quandary of its own making.

Where do all the pennies go?

A MOBIL STATION on Manhattan's East Side was selling unleaded gasoline last week for 86.9 cents a gallon, 3 cents over the price of its regular leaded gasoline. A Gulf station in the trendy Montrose area of Houston was getting 64.9 cents for no-lead and 59.9 cents for regular if you pumped the gas yourself, 69.9 cents for no-lead and 65.9 cents for regular if the station attendant did the work. That was a 5-cent differential in self-service, a 4-cent spread in full serve, if you're counting.

Anyone driving one of the nation's 117 million automobiles has noticed varying, seemingly arbitrary differentials in own area. Nationwide, according to Department of Energy, the spread tween unleaded and leaded gasol ranges between 3 and 14 cents per gall It's something of a national mystery gasoline is price-controlled by the D partment of Energy, how can the diff entials vary so widely? Even a penny gallon on the price of unleaded, after is no mean thing. Based on present mand, that 1 cent would add up to so $500 million in the U.S. this year alon

Unleaded fuel is premium fuel w something missing—air-polluting ad

umps on the east side of Manhattan

nny here, a penny there can add up, nationwide, to nearly half a billion.

s that raise gasoline's burnability (its ne rating) and allow it to burn othly rather than explode ineffi- tly in a modern internal combustion ne. To get those higher octane rat- without resorting to lead additives, ers have had to run larger crude ks under higher temperatures and sures and add chemicals besides. extra ingredients and fuel (it takes to make fuel) plus wear and tear on pment add about 3 cents per gallon eir costs. But if it costs 3 cents per n more to produce and most Ameri- are paying at least 4 cents per n more at the pump, who gets the penny?

e dealers? How well the dealers are g with the premium prices they are ng for unleaded gasoline is problem- By DOE decree, dealer markups in at their May 1973 levels—na- ally 11 cents to 13 cents above what pay their distributors for gas—plus e allowances for cost and rent in- ses. But competition is such that ers are marking up less than the wed maximum. Several dealers told ES they might make a nickel a n profit after deducting their costs, not on all grades of gas. Again, petition is such among gasoline re- rs, most of whom carry unleaded leaded regular fuels and high-test as , that in most places a dealer is always sweating out fractions of a cent on one type or another. With demand for unleaded firm and getting firmer, the added margin they hold onto there may well be given back by shaving their price on "price leader" leaded.

The DOE is worried. It is now in the throes of deciding whether to deregulate gasoline prices altogether, or to at least provide a "tilt" in the regulations that would serve as an incentive to refiners to invest in production of more unleaded fuel. The DOE is worried that, either way, the result could be differentials in gas prices rising to 9 cents, perhaps 10 cents. Why? Because the demand for unleaded gasoline is not elastic; it is mandated by environmental laws. By 1983 unleaded fuel will amount to 70% of the gasoline market. Its price will not be elastic because most drivers will have to use it. Hence refiners and marketers will be able to raise its price versus the leaded price. Such a spread could drive consumers to find an illegal way of feeding regular gas into their "unleaded only" tanks, thereby burning out their catalytic converters (just two tankfuls can do it) and running their cars at a slight reduction in performance but a more-than-slight reduction in fuel costs.

One DOE alternative is to do nothing, but this raises the possibility of shortages of the unleaded. Refiners are not anxious to add expensive equipment to enable them to produce additional unleaded gas. The reason is that present regulations, while enabling them to recover their added production costs, give them almost no return on the extra capital investment. Without higher prices, therefore, the U.S. may face a shortage of unleaded, which was only 25% of the market in 1977 but rose to 33% last year and will be 42% this year. Such a shortage of unleaded gas would itself be an incentive for consumers to use regular gas, illegally. The Environmental Protection Agency claims 10% of drivers are now doing so. The DOE is unsure, but estimates from a General Motors study that the figure is under 2%.

Inevitably, the EPA had thought of another alternative—a further regulation specifically limiting the differential in price between regular and unleaded. But the Justice Department said this could be counterproductive because it would lead to higher than competitive profits on leaded gas and perhaps divert investment to more production of leaded regular, at the expense of unleaded. The EPA dropped the idea. So DOE is currently pondering deregulation, which is thought to carry great political risks, or "tilt," which means adding to the existing mass of regulations that may eventually push the U.S. driving public into becoming a nation of lawbreakers. Bureaucracy, thy name is muddle. ■

Thinking about buying gold? Opening a numbered Swiss bank account? The Swiss stock market might make more sense.

The new chic—Swiss stocks

SWISS BANK ACCOUNTS have always been jet-age status symbols, but lately they have also been good investments. During 1978 the Swiss franc rose 23% against the dollar, which means that *idle* balances in Zurich or Geneva earned over four times as much as ordinary 5.25% savings accounts make in New York. There's a catch, of course: The Swiss don't want to supplant the U.S. as the world's central banker, so since 1973 they have imposed a prohibitory "negative interest" tax that reaches 40% a year on new foreign accounts above $60,000.

Since late January, however, investors have had a new way to get around that barrier: the Swiss stock market. In the first week after the 11-month ban on foreign buying of Swiss shares was lifted Jan. 24, the Zurich averages zoomed 10%.

That despite the fact that blue-chip multinationals based in Switzerland often pay a dividend return of under 3% or even under 2% *(see table)*, and the companies themselves treat their shareholders as something barely to be tolerated. Hoffmann-La Roche, for example, refuses to split its shares even though the price per share is approaching $50,000. Similarly, Swiss companies tell their owners as little as possible. "We have no uniformity in financial reporting," says Charly Denervaud of the Swiss Financial Analysts' Association. "Only a few legal requirements, like having to publish an annual report and a balance sheet. But it can be just three lines."

What makes Swiss stocks nonetheless interesting is that these miserly payouts and corporate reticence cover up some of the world's most conservative accounting. Ciba-Geigy, for example, writes down all its office buildings to the value of 1 franc. Most companies have little or no debt and keep investment portfolios to soak up their spare cash. If one year yields unusually good earnings, depreciation will suddenly skyrocket—creating hidden reserves. The main job of Swiss analysts is to ferret out true earnings from the underreported official figures, which are often as little as a third of actual profits.

One result, of course, is price/earnings multiples that seem outlandishly high. Thus Nestlé commands a price of 25 times earnings *vs.* only 8 for General Foods, though the two companies have an equivalent product mix. Swiss executives, unlike their U.S. counterparts, do not highly prize those ever-rising profit curves; stability, not supergrowth, is the name of their game. "They try to give the impression that results are the same from year to year," says one banker. "The main objective is to keep dividends predictable." To Nestlé, this has meant a series of small dividend increases that has more than doubled the company's payout since 1964.

For investors, the advantage of Swiss shares is that they are denominated in a stable currency. Thus Swiss shares can be an intelligent income-producing alternative to owning gold, which costs money to keep secure, or opening a bank account subject to tax. But remember that big Swiss companies do most of their business outside the country, and so face much the same conditions as other multinationals. Says Olaf Rogge of Geneva's Lombard, Odier & Cie., "Owning equities here doesn't mean you're buying the fantastically strong Swiss economy."

Buying Swiss stock isn't hard. Swiss companies are not listed on any foreign exchanges, since that would make them subject to foreign disclosure rules. Indeed any good U.S. broker can arrange execution of a Swiss order, though commissions will be perhaps 50% more than for an equivalent U.S. domestic transaction. Of course, if you already have a Swiss bank account, you can invest directly since bankers in Switzerland are allowed to buy and sell stocks.

Prices of major Swiss issues are reported daily in the *Wall Street Journal*. The Swiss government withholds 35% of dividends, but that amount is a credit against your U.S. tax bill—not just against taxable income. That makes the transaction equivalent to domestic dividend income for investors in the 35% tax bracket.

Finally, one of the most curious and interesting aspects of Swiss stocks is that they now constitute a kind of hedge against a future *rise* in the value of the dollar. The currency gains that make Switzerland so attractive to foreigners over the past several years have hurt Swiss exports. But if the dollar (and other foreign currencies) should rise vis-à-vis the Swiss franc, the profits of Swiss multinational companies would also rise both because the goods they sold abroad would drop in price and therefore become more competitive, and because the profits they made would translate into more Swiss francs. ■

Switzerland's top multinationals

Company	1978 Sales est (billions)	1978 Earnings est (millions)	1978 Earnings per share est	Recent price	1978 PE estimate	Yield
Nestlé (food products)	$11.45	$493	$175	$2,133	12.2	2.4%
Ciba-Geigy (specialty chemicals)	5.38	169	33	780	23.5	1.7
Brown Boveri & Cie (power generation)	4.94	133	172	1,072	6.3	2.8
Hoffmann-La Roche (pharmaceuticals)	2.95	145	2,048	46,687	22.8	1.4
Alusuisse (aluminum mining)	2.95	58	54	831	15.3	2.9

All estimates by J. Vontobel & Co., Zurich. Estimates used because of Swiss delays in reporting corporate results.

u've heard it before—Du Pont turned ound? Okay, but it has really happened this ne. Just look at those earnings!

Du Pont shines again

By Geoffrey Smith

WE WOULDN'T HAVE split our stock 3-for-1 if we didn't think we could keep up our earnings in- ses," says Irving S. Shapiro, chair- of E.I. Du Pont. Sitting in his com- tively modest office in Wilmington, Shapiro is responding to BES' question: Was your earnings gain last year a flash in the pan?

n a 12% sales gain, Du last year showed a dra- c 44% rise in net in- e to $787 million, 46% a e—compared with a 1% ings gain for Union Car- 5% for Dow Chemical 11% for Monsanto. That just like the good old for Du Pont—a splendid on stockholders' equity a 7.5% margin on sales. 've regained the momen- ." says Shapiro. "Now can restore ourselves as premier company in this stry."

ne achievement, Shapiro ted out, was made in of the fact that Du 's big business in fibers on, Dacron, Lycra, Orlon) still far from healthy. ts there had come way from 1975's dismal $6 ion, but at $220 million represented only 4.4% rn on investment—and 2% in apparel and home c fibers, which currently unt for about half of that ness.

ne point, then, is that e is still plenty of room improvement in Du 's important fibers busi- If this can be achieved, Pont could get even bet- ter overall earnings than it got last year. What are the prospects for such improvement? For the immediate future, a bit fuzzy. A great deal of fiber goes into carpets and, with housing starts likely to be sluggish this year, the fibers business should be under pressure again. There is still dumping from foreign producers like Italy's partly nationalized Montedison, which is run as a kind of job-creating public works program rather than as a business. Longer term, however, is a different matter. Like any low-return industry, fibers has ceased to attract new capital. Demand, thus, is slowly catching up to capacity.

"The odds are very high that no one will see fit to put capital in new fibers plants until sometime well into the Eighties," Shapiro says. But didn't Du Pont just bring a brand-new 100-million-pound-a-year Dacron polyester filament plant on stream at Cooper River, S.C., increasing industrywide capacity by 7%? Yes, but Shapiro says Cooper River, which had been sitting idle for three years, will give him better costs because of greater efficiency. He's got another big fibers plant sitting half-finished in the snow up in Côteau-du-Lac, Quebec, about which he may soon be saying the same thing. In a recovering economy—whether there is a mild downturn, a steep downturn or no downturn at all—enough excess capacity has already been eaten up that even with additions like Cooper River, fibers prices are likely to improve relatively quickly and sharply.

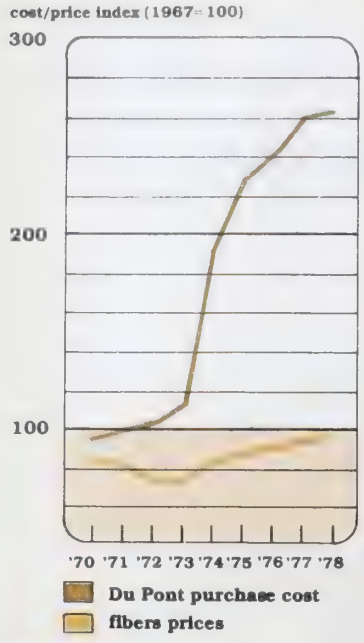
The big improvement in fibers was by no means Irving Shapiro's doing: The whole market turned—witness the big improvement in Celanese earnings last year. Fibers were simply so far down they had nowhere to go but up. But Shapiro has made his mark in vigorously continuing the basic restructuring of the company begun by his predecessor, Charles B. McCoy. Even Shapiro concedes that the changes were long overdue and merely have served to bring Du Pont closer to the level of its competitors in corporate controls and corporate discipline.

The changes nevertheless have been substantial. About 35% of Du Pont's earnings last year, for example, came from specialty products like agricultural chemicals, electronic connectors, blood analyzers and photo systems—all high-technology products where Du Pont has an important proprietary technology developed largely in the last several years. These businesses are not as capital-intensive as Du Pont's older product lines and for the most part not as dependent on petroleum as a raw material. Their returns, therefore, are far higher than the com-

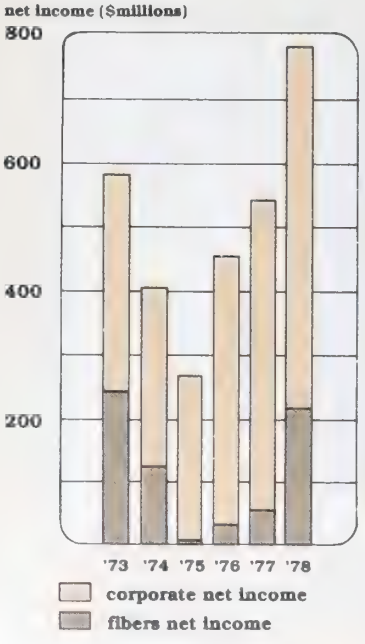
Chairman Irving S. Shapiro of E.I. Du Pont
"It's been a brutal period but we've regained the momentum."

Plenty of leverage left

After a brutal cost squeeze following the Arab oil boycott, Du Pont's big fiber operations finally got some slight price improvement as improving demand ate up excess capacity.



Modest as that price improvement was, it made a dramatic difference on the bottom line, causing fiber earnings to quadruple. Yet that business still earns only 4.4% on invested capital. Further improvement in demand could cause prices to soar and earnings to quadruple yet again before return on capital in that business is high enough to justify major plant expansion.



pany average. So is their rate of earnings growth. Last year earnings from specialty products increased 38%, from $202 million to $278 million.

Among the bright spots in the specialty products business is the $650 million photo systems business, which has over 25% of the world market for X-ray products, makes most of Polaroid's film, and has a booming labor-saving color proofing product for the printing industry. Then there's a $180 million instruments business that consists mainly of equipment that analyzes blood over 35 different ways automatically; a $500 million biochemicals (herbicides and fungicides) business so profitable that it contributes at least 10% of Du Pont's earnings all by itself; and a booming $280 million electronics business, part of which makes connectors in competition with AMP. Shapiro expects the last-named business to grow 20% a year for the foreseeable future, thanks mainly to planned expansion in telecommunications and data processing.

There are soft spots to be sure, like the older $700 million fabrics and finishes business, which is faced with a stagnant consumer paint business and the need for costly capital spending to support federal requirements for more concentrated, less volatile automotive paints. But on balance Du Pont's $3 billion specialty products business, painstakingly built up over the past 15 years, can probably grow at 12% for at least the next 5 years. No other major chemical company can match Du Pont's strength in lucrative specialty products.

Supporting all this is a research and development budget that at $400 million is still twice the R&D budget of Dow, Du Pont's nearest competitor in research.

This, of course, means that Du Pont is no longer the premier research company it once was, and this, in a way, is a pity. Ten years ago, however, Du Pont was spending 6.8% of sales on research whereas today it's just 3.6% (*vs.* 3.4% for Dow). But there are questions as to the extent basic research pays off for private enterprise these days, and no doubt Du Pont is getting good value for the research it still does.

The fabled Experimental Station near Brandywine Creek, home of nylon, has been brought far more closely to heel by Shapiro. It's now presided over by a senior vice president who is also a member of the all-powerful six-man executive committee. "It's a major change," says Shapiro. "We wanted to give more momentum to the research organization. We wanted to be sure it had a commercial flavor to it. In the old days researchers went about their own scientific interests and often they hit things you didn't know what to do with. The old line was, 'We've got an answer, you go find a question.' What we're trying to do now is point them in the right commercia rection—give that effort a little body glish." A familiar story in the chem industry, perhaps, but new at Du Po

Elsewhere, too, Shapiro marshals tistics to show that he's really cut out deadwood: "In 1974 we had sales of billion and 136,866 employees," he s "Last year, sales came in at $10.6 bil and the number of employees 131,317." There is, however, still m room for improvement: Dow Chemi with roughly two-thirds the sales volu of Du Pont, employs just 53,500 peo Dow thus gets $128,785 in sales per ployee, whereas Du Pont gets $80,720. Admittedly, Du Pont's nur ous and lucrative specialty businesse quire heavier staffing—but *that* m heavier?

Shapiro is moving manfully to cent ize authority over Du Pont's proud partmental fiefdoms. "The traditio Du Pont was that the head of each partment was his own major gener says Shapiro. "The theory was that executive committee, even if it thou that the head of the department wrong, would not interfere with wha was doing—except, in an extreme si tion, to replace him. Well, we've dra away from that kind of thinking. We also set up a corporate plans departm that reports to the executive commit and that enables me and the commit to have the kind of information we n to make decisions, and not be depend on facts we get from our operating partments. By definition operating partment heads are advocates for w they want. Now we have longer-te analyses of each product line. We're plying more muscle to understanding own business."

You may say Du Pont should h done that long ago, and Irving Shap would be the first to agree with y "Only in Du Pont could this have b such a major development," he says w a wry smile. "But I think we're in a mu better posture now to make the to calls and to make them on an intellig basis." There is to be sure the possibil of a modest downturn in Du Pont's ea ings this year in commodity chemic and fibers. This would only be pa offset by gains in specialty products a perhaps plastics if the automotive m ket holds up. In 1980 and beyond, upward leverage in earnings, given a s tained uptick in the economy, rema enormous. This is not to say that Irv Shapiro is a superman. Many of the ga came from forces in the marketpl over which he had no control. Many the changes he wrought were obvi ones, long overdue. And one can qu tion the long-term effects of his cutba in research. But none of this changes t fact that Du Pont looks like a very attr tive investment right now. ■

e world turns. In socialist Sweden, Volvo ockholders have vetoed a merger backed by vernments, trade unions and management.

Arise, ye prisoners of confiscation!

By Paul W. Sturm

HOWARD JARVIS led a revolt of California taxpayers that transformed hundreds of U.S. politi- s into born-again budget cutters. Ha- Gergils hasn't heard of Howard is, but Gergils is spearheading a simi- grassroots movement among Swe- s small investors that has rocked the ness and political establishment in country.

Workers have their unions," says gils. "Well, we capitalists can form n too." Last month his 25,000-mem- Swedish Shareholders Association] won a smashing victory over the alist establishment that runs Swe- It blocked the sale of 40% of Volvo, ig Swedish auto and truck manufac- rs to the Norwegian government. e people who contribute risk capital e grouped together to defend them- es," Gergils says.

early, the proposal would have hurt o stockholders. Under it, the com- agreed to sell a controlling block of tock in a transaction that cut the value of existing shares by 30%. re were political and economic divi- ls for the Swedish government and e unions, but they were being paid by Volvo's 128,000 stockholders. n the deal was announced last May, o stock dropped by 25%.

r $220 million, Norway was to get of the largest private firm in Scandi- a, with revenues of nearly $5 billion year. As part of the deal Volvo agreed end perhaps $150 million to set up wegian plants. In return, it received xploration rights in a promising area he North Sea—a potential bonanza a short-term drain on scarce capital. , there were two government side- s: Norway promised to sell Sweden 5 ion tons of crude oil annually, and den would sell Norway 2 million cu- neters of timber.

opping the Volvo sale was a clear victory for private enterprise. Norwegian investors, too, saw the transaction as a potential Trojan horse for ownership of industry. "Our politicians are a bunch of socialists just waiting to use this acquisition as a wedge to restructure our whole economy," says Erik Schultz, a partner in Oslo's Fondfinans. "Volvo is bigger than the top 16 companies on the Norwegian stock exchange. With our government running it, the private sector here would be squeezed out."

Stockholder leader Hakan Gergils
Sweden's version of Howard Jarvis?

So, with moral support from the financial community in Norway, Gergils and the SSA mounted a campaign against the scheme. It was David *vs.* Goliath. The prime ministers of both Norway and Sweden were squarely behind the venture, and their 13-page side agreement was in many ways the most significant part of the transaction. Union leaders plumped actively for the proposal, since they viewed Volvo's partial nationalization as a ticket to guaranteed job security. Sweden's Fourth Pension Fund, a public body, is Volvo's largest shareholder, with a 5% holding. Its professional managers recommended a vote against the sale, but they were overruled by an outside board comprised of union and political appointees.

Why would Volvo's management negotiate such a curious transaction, which merged public issues with its own corporate policy? One reason, according to many Swedes, is that Pehr Gyllenhammar, the company's controversial president, is ambitious for a political career. At 43, he is handsome, articulate and almost a regular on Swedish television. He recently boasted to a reporter that he does not socialize with other businessmen, and Gyllenhammar's reputation stems more from initiating generous labor settlements than from working wonders with Volvo profits. Though his vaunted experiments in "taking the boredom out of assembly-line work" have boosted his image with the public, Volvo's labor costs have risen so high that its cheapest car is now priced within a hair of $7,000 in the U.S.

"With this deal, everyone was out to crush the shareholders," explains Rolf Deiner, who heads an investment company with a 3% chunk of Volvo stock. "Fortunately, our laws won't allow it."

That meant a down-to-the-wire proxy fight, with the outcome largely determined by Volvo's small investors. The nationwide debate that emerged—pitting Gergils against Gyllenhammar—stirred more excitement in Sweden than anything since the 1976 elections, which ended the 44-year reign of its Social Democratic party. SSA wound up with nearly 17,000 proxies and enough votes to force Volvo into an embarrassing last-minute scrapping of the entire plan.

Even though he revels in this hard-won victory, Hakan Gergils—again like Howard Jarvis—is a most unusual man to lead Sweden's revival of grassroots capitalism. A partner in his family's small retail clothing business, 38-year-old Gergils hails from an obscure town in western Sweden, and his only political experience was a term as president of his college student union. When he joined SSA eight years ago Gergils was a disillusioned investor, and the SSA was not much more than a loose association of investment clubs.

Today, the revived organization has 60 local chapters and a budget of nearly $1 million. "In percentage terms, our membership is nearly as big here as the autoworkers union in the U.S.," Gergils says. A solid minority, 12%, of Swedish households are shareholders, and some politicians are already running scared. In a recent slip-of-the-tongue on a radio interview, former prime minister Olof Palme called Gergils a "fascist"—an attack that may have enhanced the SSA's popularity.

Now, many Swedish businessmen think SSA may flex its muscle once more and try to oust management at Volvo's regular annual meeting in May. Shareholders show little enthusiasm for the way Gyllenhammar has run the firm since he took over from his father-in-law in 1971. Unless Volvo can wangle appealing merger terms with some other auto company it must soon resort to local capital markets to raise the $500 million that it needs to finance the development of new models. This is no trifling sum. That Volvo can get it with Pehr Gyllenhammar at the helm is most unlikely.

Under his tenure, the corporation, which accounts for 10% of Sweden's exports, has made a series of strategic blunders. One early move was to begin selling small boats and sporting goods, an endeavor that has produced a steady stream of losses. Similarly, Volvo spent nearly $50 million preparing to build cars in the U.S. Its plant in southeastern Virginia never opened because sales here slumped, and today the facility is little more than a warehouse.

Even worse was Gyllenhammar's 1973 investment in the Dutch carmaker, DAF. This moved Volvo out of its traditional niche in the middle of the market and put the Swedish firm in head-on competition with small-car giants like Fiat, Renault and Volkswagen. So far, DAF has cost Volvo over $125 million—despite annual subsidies of about $50 million from the Dutch government, which is now a 45% partner in the venture. On top of this, the basic Volvo is a 15-year-old design that must be changed completely to stay competitive, but the company's car for the Eighties is still the drawing boards.

Last year, Volvo earned only abo $150 million pretax—nearly all of it fr the highly profitable heavy-duty tru division. The company's operating m gins have slipped from over 10% to j 3% since Gyllenhammar took over t reins; and Volvo's debt to equity ra has tripled to .95, far worse than troubl U.S. automakers like American Mot and Chrysler.

Gyllenhammar's defense is: Thi could have been much worse. "Ev time there is a high labor settlement an expensive change in working con tions, we get blamed," he says. "But t bottom line here is just as important in other Swedish companies."

Maybe so, but the figures don't b him out. Gyllenhammar's grandsta play may or may not launch his politi career, but it could cost him his job. assuming that his stockholders wo stand idly by rather than protect th interests, Volvo's president couldn't ha been more wrong. ■

Marcus Wallenberg and the unspeakable crime

Not much happens in Sweden's business community without a bit of benevolent guidance from Marcus Wallenberg. Through a web of personal holdings, foundations, investment companies and his position as head of Skandinaviska Enskilda Banken, the country's largest bank, at 79 he sits atop an empire of nearly 40 firms. With combined revenues of close to $20 billion, the Wallenberg "group" includes famous names like Electrolux, L.M. Ericsson and SKF.

Like most of the world's really rich, Wallenberg wields his power subtly. His family crest bears the Latin *"Esse non videri,"* which means "Be, but don't be seen"—an apt description of the clan's style. The fact that Volvo is notably absent from any Wallenberg influence adds a fascinating subplot to the current tussle between the automaker's management and the Swedish Shareholder Association.

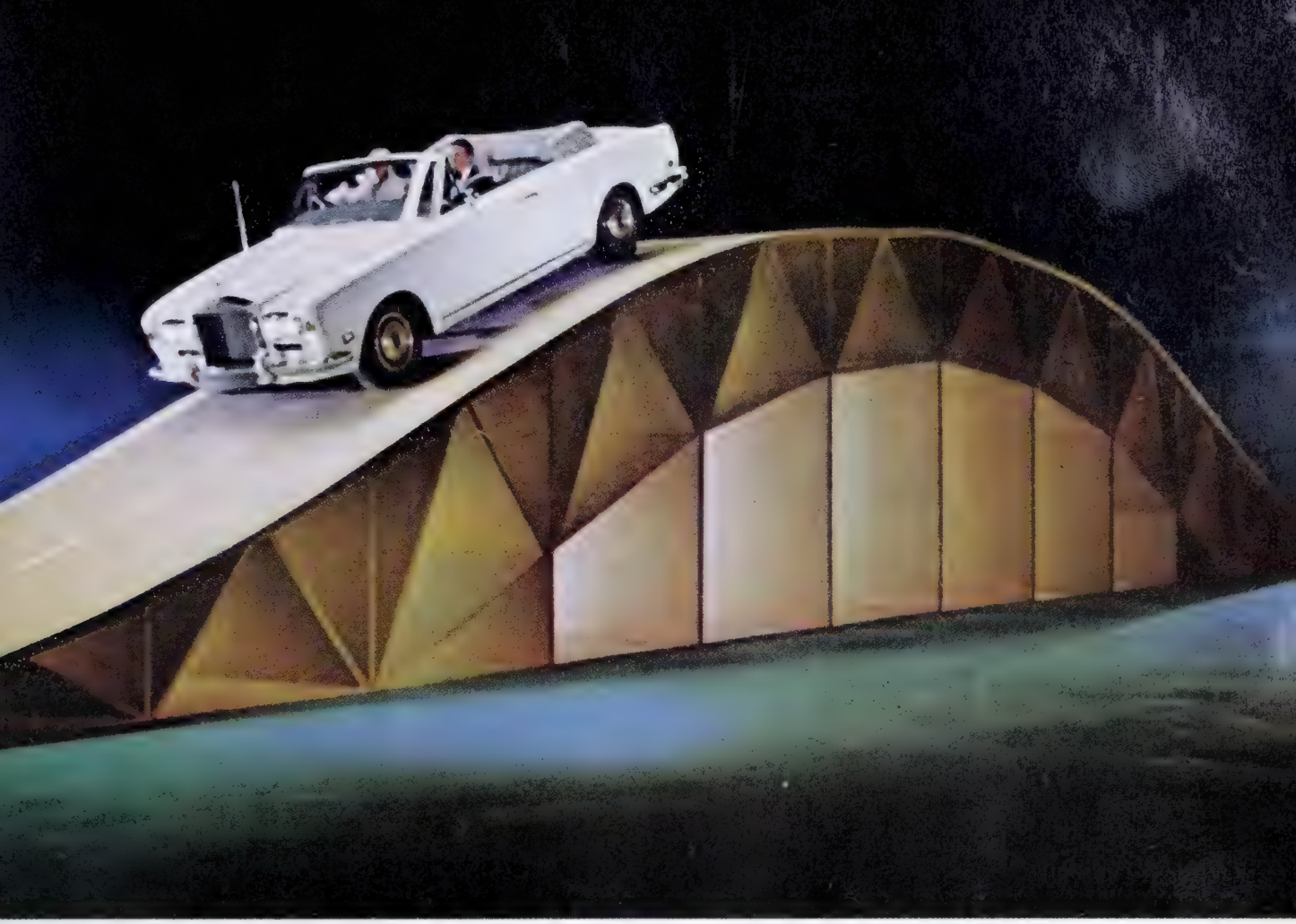
In 1977, Wallenberg orchestrated a merger between Volvo and Sweden's other car company, Saab-Scania, which he controls. Dissent within Saab soured that deal, and Wallenberg sacked its chief executive last summer. Oddly, that happened on the same day Volvo's Pehr Gyllenhammar announced his plan to get funds from Norway.

Then Hakan Gergils and his band of small investors attacked Gyllenhammar's proposal, and Wallenberg followed up by criticizing the deal with Norway in a newspaper interview. For him, such calculated exposure is as rare as Greta Garbo asking for time on *The Today Show*. Not surprisingly, the Stockholm press treated Gergils' victory over Volvo as a triumph for Wallenberg as well: The company badly needs an infusion of new capital. Where else to go for it now but to Wallenberg?

Sweden's power-behind-the-scenes Marcus Wallenberg
Since most things need his okay, did he kill the Volvo deal?

Many left-wing Swedes believe that Gergils' grassroots movement is secretly funded by Wallenberg. "Our people can now identify the enemy," says Kjell Olof Feldt, a Social Democratic member of parliament and a top party policymaker. "Capitalists aren't just nice old guys like Marcus Wallenberg, who is perceived as having created lots of jobs. Now they're passive investors, like Hakan Gergils, who are only interested in making money."

That "passive investors" with their savings finance the creation of jobs doesn't interest Sweden's socialist leaders. Instead, the politicians charge them with the unspeakable crime of wanting to make their money make more money. **—P.W.S.**



Ve drove this 2½ ton Rolls Royce over a bridge nade entirely of St. Regis paper to prove a point.

The point is that paper can be stronger than you think. pecially if it's in the form of corrugated box material.

The roadbed of this bridge was made out of six layers St. Regis triple-wall corrugated–a material we supply a of to the U.S. The verticals were made of five layers, d the triangles of four.

Triplewall is made up of three layers of the corrugated nedium'' and four layers of linerboard. And it can thstand 1,100 lbs. per square inch of puncture pressure its side. And on its edge, a 12 x 12 in. piece can take 0 lbs. A mere seven layers of paper!

The strength of corrugated isn't only in the paper elf. It's the structure. The shape of the medium is one of e strongest structures known. In Colonial Virginia lls were built in the corrugated, or serpentine form. And ey're still standing today, although they're only one ck thick.

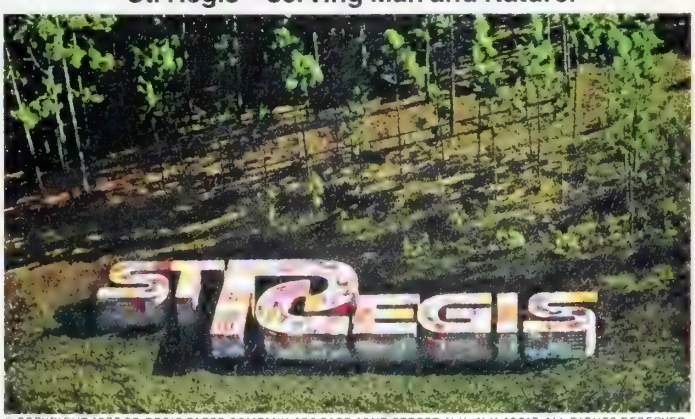
Corrugated box material is a sandwich. A wavy rrugated medium is squeezed between two rollers with eshing teeth. That's the meat of the sandwich. The bread two layers of heavy paper called linerboard.

Since it was patented in 1871, corrugated has been one the mainstays of the American distribution system. fact, the corrugated box is one reason we have the most icient distribution system in the world.

And St. Regis has had its share of innovations in the field. Partly because we're one of the largest makers of linerboard in the world. And partly because of our technology and marketing thrust.

All this reflects the marketing stance of St. Regis toward all our packaging, paper, lumber and construction products. To use the full weight of our technology in serving our markets and in renewing the forest resource our products come from.

St. Regis—serving Man and Nature.



©COPYRIGHT 1977 ST. REGIS PAPER COMPANY, 150 EAST 42ND STREET, N.Y., N.Y. 10017. ALL RIGHTS RESERVED.

Good news from the third grade. (They're bac

Readin'. 'Ritin'. 'Rithmetic. Still the three basics of education.

For many young minds, however, learning the third "R" can be a boring experience. Drills can seem endless and problem-solving situations unrealistic. The challenge is to turn on young minds to mathematics, yet not turn them off to learning.

D.C. Heath, a Raytheon company, is meeting that challenge with the new Heath Mathematics Program. It's the only basics-oriented math series that doesn't go overboard on visual matter or res to excessive repetitive drill. Bright and original graphics attract kids and get them into practice exercises that serve a serious purpose: to make basic math skills understandable and usable.

Heath goes far beyond the third grade.

Heath® textbooks are equally at home in a high school classroom or on a college campus. In Canada, D.C. Heath has a strong position in mee ing that country's special textbook needs.

basics.)

For libraries and scholars, the Lexington Books
sion publishes topical reference material by
erts in a variety of fields.

For a much wider audience—in fact, for
ryone who loves good literature—the Caedmon
ords division produces spoken word record-
of great prose, poetry, drama, and children's
ature.

Educational publishing—one of five basic
ness areas at Raytheon. The others are electronics, major appliances, energy services, and heavy construction equipment. For copies of our latest financial reports, please write Raytheon Company, Public Relations, 141 Spring Street, Lexington, Massachusetts 02173.

RAYTHEON

There may still be places on eart
where Grand Marnier isn't offered after dinne

For free recipe booklet, write Carillon Importers, Ltd., 745 Fifth Avenue, New York, New York 10022. Product of France. Made with fine cognac brandy. 80 pro
© Carillon I

encouraging railroad mergers without tackling the underlying oblems of the industry, the federal government may be paving the y for more Penn Centrals.

Putting the caboose before the engine?

By James Cook

s OFFICE high up in Cleveland's Ter- l Tower, Hays T. Watkins, chair- and chief executive of the 11,200- Chessie System, has a huge four-by- ot map of the U.S. in one corner, e's had some plastic overlays made tailing the major rail systems in the Using the overlays, he can put rail- together and take them apart . Watkins is not just playing games. spect every other president or chair- has one," he says. "And whenever body announces a merger or a er study, all the other companies looking around. Sometimes we find that we think we should move, times we don't."

ese days, for the first time since the Central collapsed back in 1970, the ads are on the move again, Chessie g them. Four merger proposals have dy come before the Interstate Com- e Commission, two or three others well be in the making, and approval y one of them could bring forth a rash of counterproposals. prospects are fairly propitious. Both the Interstate Com- e Commission and the Department of Transportation gone on record as favoring mergers as one way of gthening the industry.

hough it may yet, the railroad industry still has not gone vay of the horse and buggy. For hauling certain kinds of t—heavy, bulky stuff—it is far cheaper than any other of land transportation. It is energy-efficient and relatively olluting. Last year it grossed roughly $22 billion, em- d 490,000 people and carried 70% of the U.S.' coal-ton , 60% of its grain, 77% of its auto products and over 60% chemicals and primary metals. But in spite of the success eral highly profitable companies, the industry as a whole y sick. Its share of the intercity freight business fell from 65% at the end of World War II to around 40% in the late es, but instead of stabilizing at that level continued to ne, netting less than 36% last year. Had the railroads held 40% market share, they would have grossed close to $3 n more in revenues last year, most of which would have down to the bottom line. As it was, the industry prob- earned less than $265 million last year. Things are so bad he industry depends on private individuals *(see box, p. 56)* lp keep it supplied with freight cars. Ten railroads have

Chessie Systems' Hays Watkins
Mapping a competitive imbalance?

gone bankrupt since 1967, three remain bankrupt and another is likely to go bankrupt at any time now. In some respects the industry as a whole is in worse shape than it was during the worst of the Great Depression.

But are mergers the answer? The Pennsylvania-New York Central merger was, of course, a total disaster. And Penn Central was only 1 of 17 mergers made during the Sixties before the Penn Central bankruptcy brought the merger movement to a screeching halt. The dismal fact is that of those 17 mergers only 3 seem to rank as unqualified successes: Southern's acquisition of the Central of Georgia; the Missouri Pacific-Louisville & Nashville acquisition of the Chicago & Eastern Illinois; Norfolk & Western's acquisition of the Virginian. A handful of others—the Norfolk & Western-Nickel Plate-Wabash and Chesapeake & Ohio-Baltimore & Ohio, among others—rank as *qualified* successes. But most of the rest—including the Illinois Central Gulf, Burlington Northern and Seaboard Coast Line—fell far short of realizing the gains they had promised.

The failure is difficult to quantify, the variables are so great. Two recent Federal Railroad Administration studies concluded that mergers did not significantly improve the profitability or market penetration of either the SCL or the N&W. A 1972 study by the Senate Commerce Committee took an even grimmer stand: "Justification of proposed mergers has rested almost exclusively on cost savings. . . . The alleged savings have generally failed to materialize or have been much smaller than were anticipated." The report concluded: "By and large, they are more likely to be harmful than beneficial."

There were plenty of reasons for failure. The merger process was too lengthy—8 years for Penn Central, 5 for Seaboard, 14 for Burlington Northern. Most of the track and service consolidations couldn't actually be made. The labor conditions wiped out most of the prospective labor savings. The conditions imposed to protect competing railroads were far too onerous. There were reasons and plenty of them. "But that's the whole point," says Southern's able President L. Stanley Crane. "Merger is not a panacea or a substitute for good railroad management. It's no substitute for an adequate railroad market and an efficient operation that drags the money straight down to the bottom line."

"Railroading is complex; managers can't manage a big company."

More than a few railroaders agree with the Senate study's conclusions. Kent Healy's little book on *The Effects of Scale in the Railroad Industry* long ago suggested that mergers could produce diseconomies. Other economists have claimed more recently that there are no scale economies in railroading, and that the average cost per track mile is constant no matter what size the system. Isabel Benham, dean of the nation's rail analysts and president of Printon, Kane Research, has had second thoughts herself. "Railroading is so complex," she says, "that rail managements just don't have the capability of managing a really big company."

The new wave of mergers, however, is different from the old one. This time they're not directed primarily at promoting economies, scale or otherwise, and they're supposed to avoid the problems that faced the earlier spate of mergers. The mergers of the Sixties were by and large parallel mergers. They involved merging properties said to duplicate each other, and they promised to improve efficiency and cut costs by permitting the duplicate equipment, facilities and services to be eliminated. In this, they generally failed. The new mergers are end-to-end mergers, and as such they require less capital to bring off, involve far fewer labor problems and lessen the likelihood of managerial friction. Instead they're supposed to enhance the ultimate profitability of the merged company by permitting it to offer more competitive service.

The latest round in the merger movement was set off two and a half years ago by the Southern Railway. Southern proposed to break out of the South and merge with the Missouri Pacific. That posed a threat to a number of neighboring roads, so the Seaboard Coast Line, Southern's arch competitor in the South, began talking with Southern Pacific, while Burlington Northern began considering linking up with the St. Louis-San Francisco. The Southern-Seaboard proposal fell through, but the BN-Frisco proposal has now come before the commission. Once the Seaboard-Southern Pacific negotiations broke off last summer, Hays Watkins began playing with his plastic overlays again and finally decided the time had come for Chessie to go after Seaboard.

The Chessie-Seaboard proposal has put Southern on the defensive, and Southern's Crane considered but rejected the possibility of taking on the Illinois Central Gulf, IC Industries' troubled railroad affiliate. Meanwhile, the Southern Pacific has been pushing ahead with a merger of its own—the acquisition of a 966-mile line from Tucumcari, N.M. to Kansas City and St. Louis, the Rock Island's share of the Golden State Route that the two railroads have operated for 75 years.

Nobody disputes the competitive clout such mergers would wield. They offer the merging companies the opportunity for extended single-line service; and because it eliminates interchanges and bypasses terminals, single-line service generally offers a shipper greater speed, less delay and less likelihood of misrouting and loss and damage. At the moment, for example, both BN and the North Western offer multiple-line service with the Frisco between the Twin Cities and the Gulf. But if the Frisco and BN are permitted to merge, North Western will find itself at a considerable disadvantage competing with BN's new single-line service.

Such service is a potent competitive weapon. Burlington Northern hopes to pick up $71 million in new revenues through its Frisco merger, Chessie more than $96 million from the Seaboard merger, Southern Pacific nearly $110 million from the Rock Island's Tucumcari line, and most of these estimates are probably conservative. But whether they achieve their profit objectives remains to be seen.

In backing such mergers, Secretary of Transportation Brockman Adams says: "Our overall goal is to produce efficient through-service transportation companies that can effectively

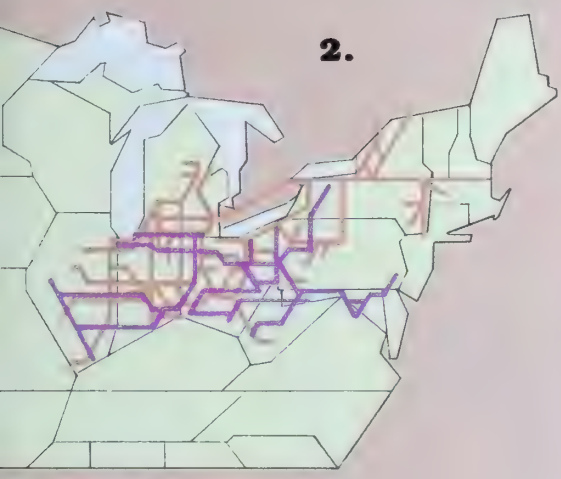
The trouble with competition is that somebody doesn't always win. Sometimes everybody loses. And that's the sort of competition that ultimately led to the wreck of the Penn Central in the biggest bankruptcy in the history of the world. The two railroads involved, the Pennsylvania and the New York Central, had been rivals for nearly 100 years. The Pennsylvania was the standard railroad of the world, the Central the obstreperous outsider, but for generations the Central successfully kept the Pennsylvania at bay. Then in the late Fifties, the Pennsylvania launched a series of moves that so threatened the Central it felt it had no choice but to merge with its ancient rival. In hindsight, the disaster that followed was inevitable.

The final conflict began in 1959 when the ICC approved a merger of the Virginian and the Norfolk & Western, a Pennsylvania affiliate. The merger cut off the New York Central from its traditional access to the rich Pocahontas coalfields.

1.

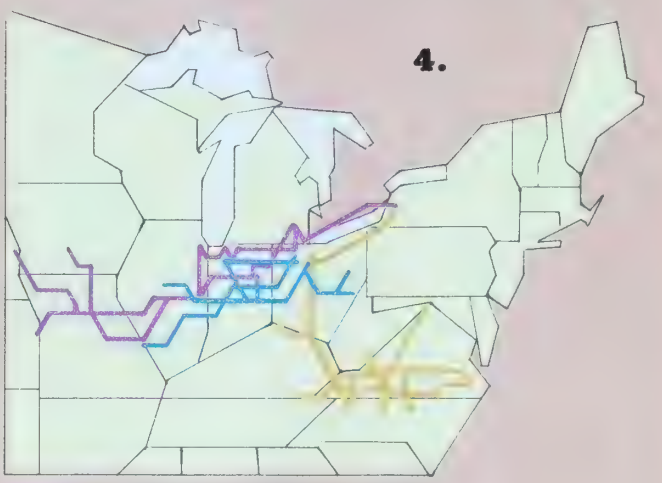
Could the wreck of the Penn Central have been avoided?

an effort to protect its position in coal, the ntral responded by proposing a merger with other and even bigger coal carrier, the Balti- re & Ohio.



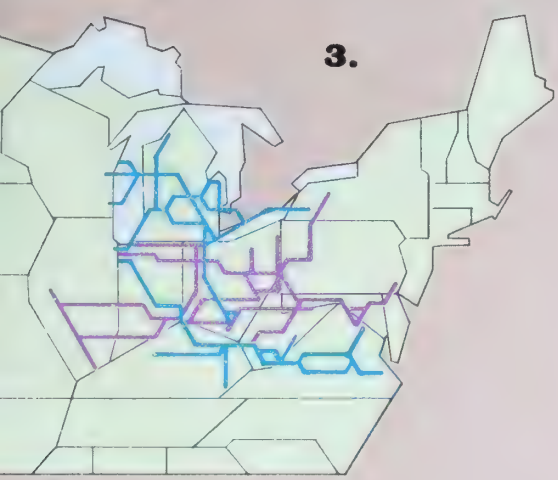
New York Central
Baltimore & Ohio

The C&O-B&O merger put the N&W at a disadvantage, so the N&W worked out a merger with the Nickel Plate and the Wabash, another Pennsylvania affiliate, gaining access not only to St. Louis, but to Chicago, Kansas City and Omaha as well.



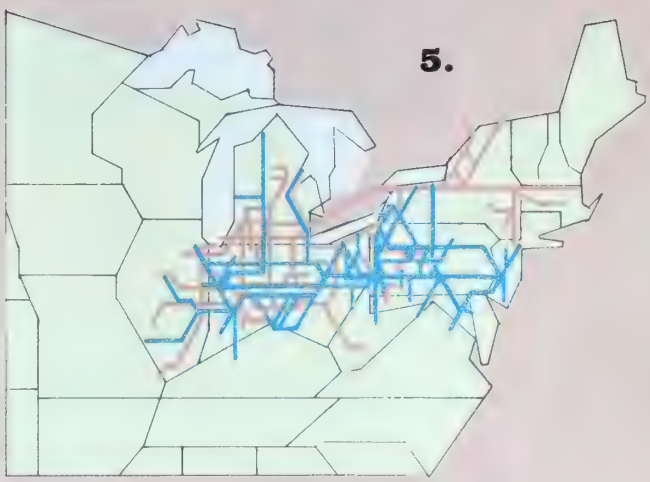
Norfolk & Western
Nickel Plate
Wabash

ıe B&O merged instead with another Pocahon- s coal carrier, the Chesapeake & Ohio, gaining cess to St. Louis and the transcontinental traf- beyond and leaving the Central more vulner- le than before.



Chesapeake & Ohio
Baltimore & Ohio

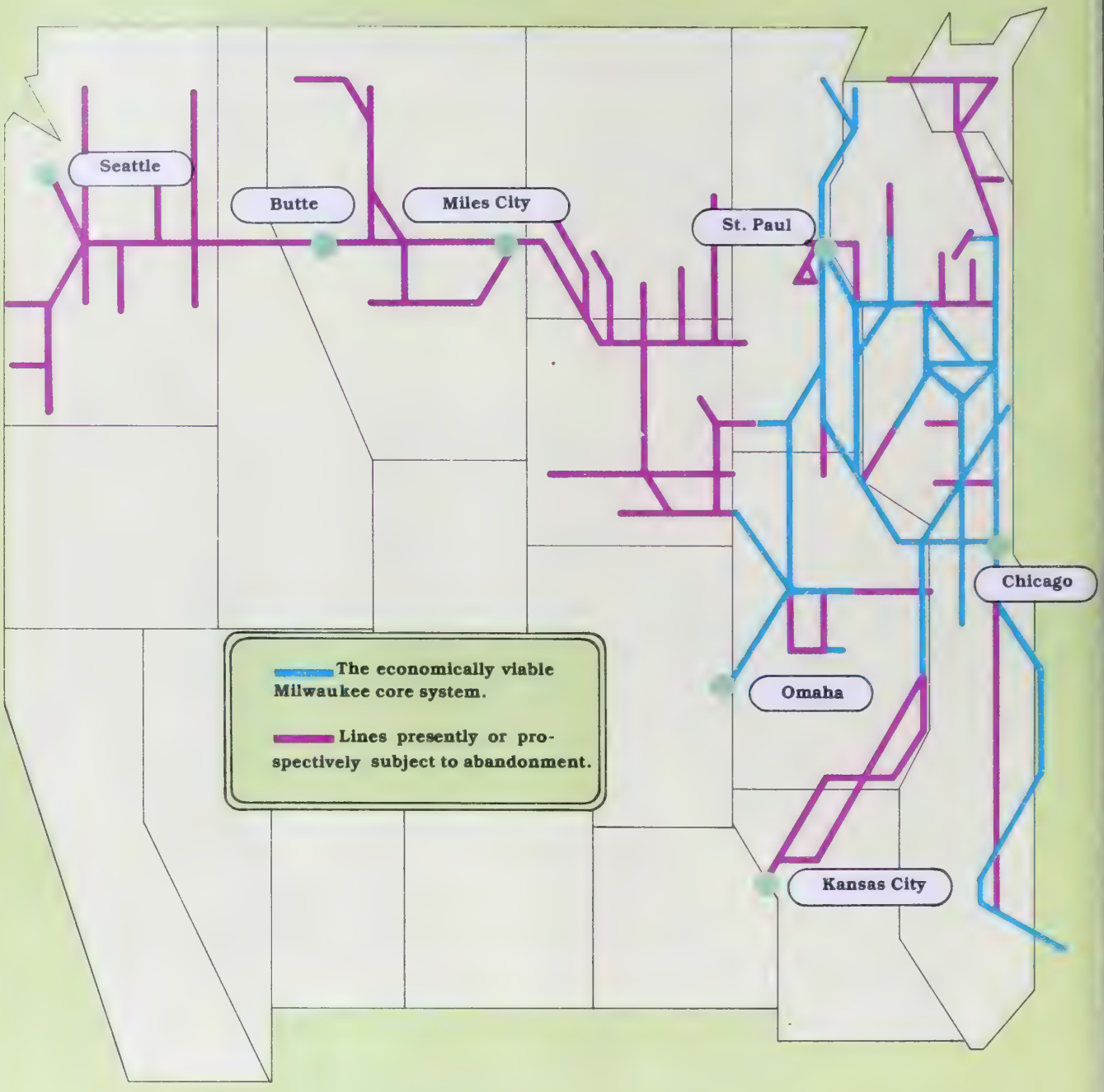
Surrounded on all sides, the New York Central felt it had no choice but to merge with the Pennsylvania. As a condition of the merger imposed by the I.C.C., the Pennsy agreed to dispose of its richest holding, the Norfolk & Western. The two roads merged as the Penn Central and soon went bankrupt.



New York Central
Pennsylvania R.R.

Alternative to merger

The Milwaukee's basic problem is too much track to maintain, too little revenue to support it. A merger might disguise the problem but it wouldn't solve it. Like other roads, however, the Milwaukee can go a long way toward solving the problem itself. The once-prosperous, thrice-bankrupt road has been only marginally profitable ever since it built its main line to the Pacific Coast in 1909. Now it's planning to cut back its system to more manageable levels, abandoning that traffic-thin line and perhaps as much as one-half of its total track.



End-to-end mergers will do nothing to solve the industry's problems.

ete with the through service we have with trucks and s now. We're not trying to take from one and give to the , we're trying to make the whole railroad system com- ve with the barges, the trucks, so they can survive."

body can quarrel with that. Although the railroads do ete with trucks, barges and pipelines, it has been pretty ual competition, except in a few limited areas like new mobiles, grain, coal and so on. The truth is that most ads compete effectively only with each other, and that is the new round of mergers has the same destructive tial that the first round of mergers had: because, if rail etition operates pretty much within a closed system, any etitive gains that carrier A makes from a merger will to be made at the expense of carrier B.

h end-to-end mergers may step up the competitive pace n the industry considerably, but they will do nothing to what Adams and most other observers consider to be the problems of the industry. In moving commodities like grain and so on, railroad service is so much cheaper than service that the trucks cannot really compete. The rail- could charge considerably more for such freight than currently do and still retain their competitive advantage, hey are prevented from doing so by the Interstate Com- e Commission which is responding to pressures from cians, shippers and consumers. Were the railroads able to more money on their core traffic they would be far more able and thus much more able to compete effectively trucks on other freight traffic. Mergers would not solve roblem. Only a change in federal policy can.

or would mergers do anything to reduce the branch line problem, which stems directly from the red tape involved in abandonments. The carriers most likely to e are by and large not overburdened with capacity, not the estern roads—BN, SF, SP, UP and MoPac—and not the ard or the Southern either. Those roads that have the s capacity—Conrail in the East and the Milwaukee, Rock l, Katy, and North Western in the Middle West—aren't to attract any suitors. "These mergers," admits Seaboard dent Prime F. Osborn, "are not a solution to the railroad em." Since he is himself talking merger, he adds, "But frequently put a railroad in a position to deal with these ems better."

better at whose expense? The SP's gains from the mcari line will come out of the hides of a host of sur- ling railroads—rich roads like the Santa Fe and Union c, poor roads like the Katy and North Western. The most ging proposal, the Burlington-Frisco merger, will make of its gains from some of the most marginal carriers—$3 on from the Milwaukee, $1.9 million from the North ern, $4.5 million from the Rock Island, $6.6 million from linois Central Gulf, $2.5 million from the Kansas City ern, $6.5 million from the Missouri-Kansas-Texas. rly," says the North Western's President James R. Wolfe, architects of that merger did not intend to use it to assist ving the Midwest railroad crisis."

at $6.5 million from the Katy is roughly 7% of its rev- , and MKT's Chairman Reginald N. Whitman estimates it will run nearly twice that—no small amount for a ad that only made $2.4 million last year. "If they are to take a large share of our business away," Whitman "they ought to provide us with some compensation so overnment doesn't have to bail out the business the er took away."

Chessie's is perhaps the most threatening proposal of all. Chessie hopes to attract $40 million in traffic away trucks and barges including $11 million in lost coal . It expects to pick up $56 million from other railroads, ding $10 million from Southern, $18 million from Norfolk stern and $17 million from Conrail. Those estimates are nly conservative. William J. McDonald, Union Pacific's r vice president-law, thinks the Chessie merger has the potential for serious traffic diversions from ailing Conrail. "In the railroad industry," he says, "one never shorthauls oneself. Therefore they would make a vigorous effort to move as much traffic over that combined system as possible—instead of interchanging northbound traffic with Conrail in Washington, for example, they might move it over their own lines as far as Cincinnati or Detroit. In respect to solving the problems of the industry, mergers are not at the top of the hit parade."

"In regard to Conrail," says Norfolk & Western President John P. Fishwick, "the ultimate question is, why should you let two solvent railroads get together if the result is appreciable damage to an enterprise that is taking half a billion a year out of the taxpayers' pockets? What is the public interest?" The head of a big midwestern-based carrier has the same misgiving: "If you end up turning Conrail into a pure nationalized road," he says, "you may have won the battle and lost the war. I don't really know whether or not it's a good solution to risk busting these companies with mergers in which they may not be involved."

Such traffic diversions are by no means theoretical. The Burlington Northern merger, for example, played a role in bankrupting both the Milwaukee Road and the Rock Island, and though the ICC required the BN to open new gateways to the Milwaukee, the BN coerced shippers using private sidings on its lines into signing agreements to use BN service exclusively—a practice that ended only when the Justice Department intervened. The ICC's Rail Services Planning Office worries that the cumulative effect of these traffic diversions, none that damaging in itself, could eventually have very serious effects on the entire railroad system. "Eventually," RSPO observes, "every railroad may be affected."

The North Western's Jim Wolfe estimates that the Burlington merger still costs the North Western $15 million a year in lost traffic, *vs.* the $7 million the BN projected, and he figures the BN-Frisco merger will cost him another $2.5 million—*vs.* BN's $1.9 million projection. He also figures that the $2.5 million diversion will be spread so evenly across his traffic flow that the entire $2.5 million will come off the bottom line. But even that is nothing beside the $8.6 million the Rock Island expects to lose (BN projection: $4 million) or the $14 million the Frisco merger will cost the Milwaukee (*vs.* $3 million). "The synergistic effect of a BN-Frisco merger," says Milwaukee President Worthington L. Smith, "will yield such a competitive advantage to BN that, even reorganized, Milwaukee will find its competitive abilities even more marginal and deteriorated." To judge by past experience, the merger may end up doing more to weaken its competitors than to strengthen the Burlington itself.

Thus, it may seem idiocy of a high order for the regulatory agencies to foster a merger policy that on the basis of past experience offers little promise of strengthening the roads that participate in mergers and that offers a very real promise of damaging those that do not.

But that may be precisely what the DOT and the ICC have in mind. In the Thirties when railroads went bankrupt, they repudiated their debts, reorganized their financial structures and went on about their business. In those days they had the overwhelming bulk of both the freight and passenger business, and even in the depths of the Depression they had sufficient cash flow to meet payrolls and repair track and equipment. They went bankrupt only because they could no longer support their frequently top-heavy capital structures. But these days the bankrupt railroads are not viable under any circumstances. They can no longer generate the funds to finance their operating costs, much less their interest charges, and so their only alternatives are to ask for government aid, ruthlessly slough off those services that can't be profitable, or liquidate their plant

in the interests of their creditors and let the solvent segment of the industry pick up the pieces that are worth preserving.

The DOT rejects either subsidies or nationalization. It's convinced the railroads are going to have to rationalize their excess plant one way or another, and it favors what it calls free-market solutions in doing so, with government providing only such support as is necessary to maintain essential services. Former Deputy Transportation Secretary John W. Barnum lamented not long ago that DOT had been forced to provide funds for midwestern roads like the Rock Island and the Katy, whose survival the DOT does not consider essential, in order to generate political support for funding Conrail, whose services it does consider essential.

In encouraging mergers, the DOT may have the quite cynical aim of deliberately forcing the bankruptcy and liquidation of marginal roads that it may otherwise be forced to keep in business because of political, trade union and shipper pressure. Brock Adams shies away from the suggestion, but does not disown it. "We are interested in maintaining service," he says. "We are not directing our efforts to maintaining particular corporate entities. If they are prepared to slim down and come out of a reorganization with something that can be profitable, we will help them."

The DOT really laid it on the line in last fall's *Prospectus for Change in the Freight Railroad Industry*: "The DOT has concluded that mergers are a less promising technique to improve the railroad industry than other approaches to restructuring. . . . The elements of rationalization contained in the concept of line transfers, joint-use agreements and abandonments are what actually save costs—not corporate integration per se. . . . All these elements can occur short of merger."

That's pretty much the solution Jim Wolfe, head of the employee-owned Chicago & North Western, has adopted in rebuilding his long-ailing railroad. "The best thing for the North Western to do," he says, "is to continue to improve its physical properties, improve its capacity and market share—which we've been doing in part by taking business from our midwestern competitors who are in extremis—and by scaling the plant down. Once we're fit and trim, we'll make a better merger partner."

With 40% of its track miles generating at one time only 4% of its revenues, North Western has been ruthlessly abandoning line. It has scrapped 2,600 miles out of 11,700 over the past ten years, and thanks to expedited ICC abandonment procedures, hopes to get rid of another 1,600 over the next three years. At the same time, Wolfe persuaded the federal government to put up $150 million to rehabilitate North Western's high-grade Chicago-Omaha main line. He has even worked out some pioneering market swaps with the Milwaukee—Milwaukee will abandon its freight service to Rapid City, S.D., in favor of the North Western, and the North Western will abandon its service on certain lines in Iowa and Minnesota in favor of the Milwaukee.

"We would be best served," Wolfe goes on, "by seeing the excess track capacity in the Midwest eliminated by liquidating all or part of those bankrupt railroads. We would like to acquire whatever of their revenues we can. When you have a group of bankrupts that can't make it without government aid competing with a group of solvent railroads, as we have here in the Midwest, liquidation is best."

This would mean *finis* for the Rock Island. Rock Island's trustee, William M. Gibbons, argues that liquidation of his company is not necessary. Despite losses of over $100 million since 1972, he's convinced he can put the bankrupt Rock Island back on its feet without having to liquidate the company. By selling the Tucumcari line to the SP, Rock Island will generate $57 million in cash that Gibbons will put to work upgrading the rest of the Rock's property. With the Tucumcari line gone, Gibbons would then be able to concentrate Rock Island's car fleet and motive power on the trackage that remains, becoming basically a north-south railroad providing

Any competitive free-for-all coul drag the whole industry along.

single-line service between the Twin Cities and the Gulf. T strategy could conceivably work, but it puts Rock Island competition with some of the savviest railroads in the bu ness—Santa Fe, Burlington Northern, MoPac and ICG, most whom are determined that SP will not get the Tucumcari li Gibbons' colleagues suggest, however, that he's having much fun running the railroad he'd just as soon the Rock Isla were never reorganized—a circumstance that would probal cost him his job.

The bankrupt Milwaukee is considering even more dras surgery as a way to survive. The company had always pr pered until 1909 when it built its Pacific Coast Extension order to compete with the transcontinental railroads in territory. But it paid the price ever after in traffic too thin support the cost of maintaining the line. Bankrupt for the th time in a half century and with over $300 million in defer maintenance, the Milwaukee is in sad shape. Trustee Stan E.G. Hillman wants to stay in business—but to cut the M waukee back by almost half, from 10,000 miles to as little 5,700—and concentrate its operations east of Butte and pos bly east of Miles City, Mont. *(see map, p. 46)*. Hillman hopes recoup part of the loss by selling segments of the line beyo Butte to the Union Pacific. "I made my own determinatio he says, "that the Pacific Coast Extension was such a dra that if it were to remain part of the railroad I would not be al to reorganize the company."

The fatal flaw in the DOT's strategy for restructuring a rehabilitating the railroads may well prove to be the diverge interests of government and industry. If the DOT is concern with preserving service rather than companies, the compan themselves are concerned with preserving themselves rath than the industry, and DOT's emphasis on competition m serve only to dissolve what community of interest they mig otherwise have. "The mergers that are going on," Southern Stanley Crane says, "are not intended to solve railroad pr lems. They're aggressive moves on the part of management improve their basic position in regard to the rest of t industry. You don't go into a merger trying to save sor broken-down railroad. You go into it in the hope of makin profit, which is in the interest of your stockholders, becau that's what you're trying to run the company for."

The N&W wanted its Wabash-Nickel Plate merger l cause it wanted some merchandise traffic to balance coal. The Southern wanted the Missouri Pacific for fast-growing Gulf Coast petrochemical traffic. "We are not c brothers' keeper," says Illinois Central's William B. Johnso "When you propose a merger economically beneficial to yo company, knowing it will be detrimental to other railroa you get involved in a balancing process."

The railroads cannot pursue these aggressive strategic goa without sometimes putting their competitors violently on t defensive, as the UP did when it went after the Rock Island the Sixties and as the SP may do in attempting to acquire t Tucumcari line. "It's the first move," says Jim Wolfe disa provingly, "by a major profitable carrier to extend its territo into that of other profitable railroads by acquiring the line o bankrupt." It is difficult to see how such a move will help t problems of the industry—however much it might benefit t Southern Pacific. "If the Southern Pacific gets the Tucumc line," Missouri Pacific's President Downing Jenks told Ne York security analysts last month, "other midwestern ra roads have their own merger maps to pull out of the drawer.

The well-run and highly profitable Union Pacific was bad burned when it tried to buy the Rock Island in the early Sixtie and since then has lost its enthusiasm for mergers. Uni Pacific's William McDonald thinks the industry's traffic flo patterns make interregional mergers largely unnecessary. A

rding to a UP study all but 20% of the railroads' traffic flows *bin* the three regions into which U.S. railroads are divided. en so, the geopolitics of rail competition are such that any ious threat to the competitive balance within the industry uld send the U.S.' major carriers scrambling for merger tners to protect their position. The SP's Tucumcari acquisi- n has that potential, and so also has the Chessie-Seaboard rger.

"If something like the Seaboard-Chessie merger goes ough," Crane concedes, "someone will look to Southern to uire or Southern will look to someone to acquire. They will in a protective mood." For the Southern, the logical move is the north, to the Norfolk & Western, but Southern might ose to turn to the west—to the MoPac or Southern Pacif- -with incalculable results.

Should the Chessie merger be consummated, there will be only three railroads outside Conrail serving the East. There are, however, at least four major transcontinental es that exchange traffic with the eastern railroads at the ssissippi and Missouri River gateways—five if you lump in MoPac-Rio Grande-Western Pacific route—and at the mo- nt they all compete for transcontinental traffic on more or s equal terms. Since nobody in his right mind would want to uire Conrail, that means there are only three potential uisitions in the East as against five potential suitors. Obvi- ly, somebody will be left out in the cold if these transconti- ntal mergers begin to fall into place. And some of these sently profitable railroads could easily lose their profitability. More than a few railroad executives have heavy reservations ut mergers. Santa Fe's Chairman John S. Reed clearly has m. And so has Stanley Crane. But except for Santa Fe, ion Pacific and Norfolk & Western, few railroads are strong ugh to stand alone. Thus, any competitive free-for-all could g the whole industry along. "Bigness is strength," says ta Fe President Lawrence Cena. "So maybe you push for the best merger you can get that improves your stockholders' position. But the track record hasn't been that good."

In restructuring the railroad industry, the DOT may opt for free-market solutions, but the free market alone may offer no more hope of solving the railroad problem in the Eighties than it did during the Sixties. The Pennsylvania, for instance, was prepared to go to almost any length to achieve its ill-conceived and ill-executed merger with the New York Central: guaranteed lifetime employment for its labor force, spin-off of its priceless Norfolk & Western holdings, assumption of the New Haven's massive losses. And such suicidal impulses could take over the industry once again.

It's like the old joke about George Bernard Shaw and Ellen Terry having a child—will the kid have her looks and his brains, or his looks and her brains? Transportation is too vital to leave to chance.

Which brings us back to the question: If not mergers, then what? The answer is that, before merger can become a workable solution, the industry's basic problems must be tackled. These are: 1) the low rate level on that freight traffic that moves most naturally by rail; 2) the difficulties and delays involved in abandoning lines and laying off unneeded workers; and 3) the unequal and in effect subsidized competition from trucks and barges that continues to divert traffic from the privately supported rail lines and onto the publicly supported highways and waterways.

These are politically tricky problems. It is easier to put overlays on maps and dream dreams like those Robert R. Young and Edward H. Harriman once dreamed. But such dreams may turn into nightmares.

"Mergers could force the crisis," Jack Fishwick says wearily. "The stronger get stronger at the expense of the weak. And then everybody rushes to merge and says we don't want to be last. Somebody's going to have to be last. There may be so many crushed that they'll bring the whole system down." ■

"That's a Butler building?"

Yes, that is a Butler building.
In fact, you probably see beautiful Butler buildings all the time and don't know it.
Because Butler buildings offer total design flexibility and can be as tasteful and dramatic as any building.

Yet, they also give you all the important time and money savings of systems construction.
To learn more about energy-saving Butler buildings, call the local independent contractor who can build one for you. See "Butler Mfg. Co. Builder" in the White Pages. Or write Butler Mfg. Co., Dept. B-397, BMA Tower, Kansas City, Mo. 64141.

BUTLER

There is now a Mercedes-Benz station wagon

The new 300 TD. Before it could be a Mercedes-Benz station wagon, it had to behave like a Mercedes-Benz car.

Mercedes-Benz has engineered a station wagon that handles like – and is as solidly built as – a Mercedes-Benz car.

It does not wallow about on the road like a hippopotamus.

And it has been designed to spare its owner the aggravation of a chorus of rattles and creaks.

"First and foremost," reports *Car and Driver* magazine, "is that when you drive it empty, you very quickly forget you're driving a wagon. It handles very much like a sedan, with none of the ponderous, tail-happy lethargy we've come to expect..."

But what happens to the handling when the 300 TD is heavily loaded?

There is a sensor buried deep within every Mercedes-Benz station wagon. Should a passenger step aboard, or luggage be added, this sensor orders a special pump to send an extra supply of hydraulic fluid to the rear shock absorbers.

This raises the rear of the vehicle to its normal, most effective level.

And this, in turn, maintains the correct front-wheel geometry so that the station wagon can be steered precisely even under heavy load, instead of wallowing clumsily from side to side.

It sounds like a Mercedes-Benz car

Creaks, rattles, thrumming noises – are they the inescapable bugaboos of a station wagon?

Not so, said the Mercedes-Benz engineers.

Car and Driver agrees: "The back end doesn't sound like a crate of empty muffin tins whenever you hit a bump, which is something you can't say for your average wagon. Mercedes-Benz designers have found ways of securely buttoning down all the movable panels that usually cause station-wagon rattles..."

Good brakes are not enough

The handling ability of a car is considered of paramount importance at Mercedes-Benz. The reason is simple: if at all possible, it is always preferable to *avoid* an accident.

The new Mercedes-Benz 300 TD
Only 2,500 will be available in the U.S. this year.

Good 4-wheel disc brakes alone are often not enough. The car must also be capable of violent evasive action without loss of control.

And so the new Mercedes-Benz 300 TD station wagon has been fitted with the sophisticated steering and suspension systems of a Mercedes-Benz car.

Steering that "talks" to you

There is zero-offset steering built into the front suspension of the 300 TD to provide more precise steering control in emergency situations.

The power steering itself has "feel." It tells your hands exactly what the front wheels are doing at every moment.

And the suspension is independent on all four wheels. Should one wheel hit a bump in the middle of a corner, that wheel alone is affected, leaving the other wheels independent to maintain their grip on the road. There is none of that alarming, sideways hop-skip-and-lurch that one expects from a less-expensive solid rear axle; the Mercedes-Benz will simply shift a few inches to one side, then smoothly resume its course.

It uses Diesel fuel. Sparingly.

The Mercedes-Benz station wagon is no gas-guzzling leviathan. For one thing, it measures a trim and nimble 15 feet 11 inches from stem to stern; it is the length of a Mercedes-Benz car. For another, it doesn't use gas at all.

The powerplant is the remarkable 5-cylinder Mercedes-Benz *Diesel*. This 3-liter engine is coupled to a 4-speed automatic transmission to achieve a balance of performance *and* economy. It delivers an estimated 23 mpg.

This estimate is from the U.S. Environmental Protection Agency. *Remember:* Compare this estimate to the "estimated mpg" of other station wagons. You may get different mileage, depending on how fast you drive, weather conditions, and trip length.

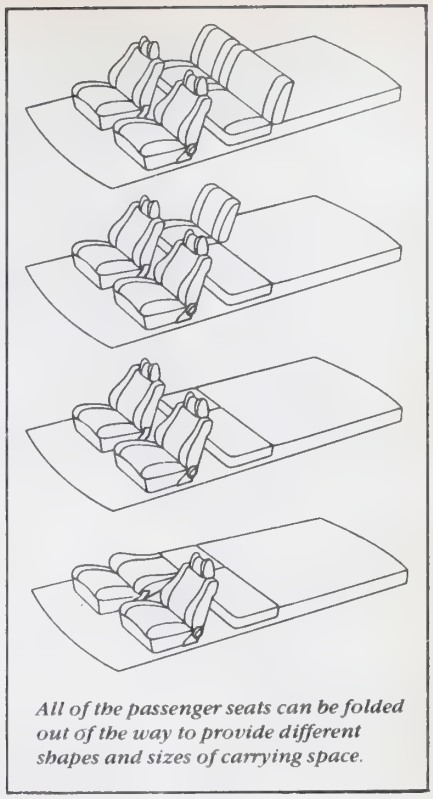
A lesson in the use of space

The interior design of the 300 TD station wagon is an object lesson in the ingenious use of space.

Raise the tailgate and look for its hinges and damper units. You'll find them tucked discreetly into the roof. It costs more to do it this way, but the Mercedes-Benz engineers wanted an absolutely smooth inner-roof surface so that bulky packages wouldn't snag on outjutting hinges.

There are seats for five adults. All of the passenger seats can be folded out of the way (*see illustration, right*) in a multitude of sizes and shapes of carrying space.

"If the object is *really* long," noted *Car and Driver*, "say a carton of record-length spaghetti or a python with rigor mortis, that's no problem either. Just unlatch and remove the right-side cushion of the second seat. Fold that side of the seatback forward. Then fully recline the passenger-side front bucket. That leaves an uninterrupted stretch from the tailgate in back to the glove-box door in front. What more could you ask?"



All of the passenger seats can be folded out of the way to provide different shapes and sizes of carrying space.

More standard equipment

In typical Mercedes-Benz fashion, the list of standard equipment is quite staggering in its length.

To name a few items: Climate control air-conditioning. Cruise control. A 4-speed automatic transmission.

Power-assisted steering and brakes. Electric window lifts.

Also, an AM/FM stereo receiver with electric antenna. A quartz-crystal chronometer. Wiper, washer, and defroster for the tailgate window. Halogen fog lamps. A pair of outside mirrors, both adjustable from inside the car.

There is even central locking: a turn of the key in the driver's door locks all four doors, the tailgate, and the fuel filler port. Simultaneously.

Engineered like no other car in the world

The Mercedes-Benz aim is doggedly single-minded. It is to build safe, comfortable, practical cars with as few imperfections as possible.

This philosophy puts engineering ahead of petty economies and precludes the mass production of inexpensive cars.

A Mercedes-Benz is engineered like no other car in the world.

Load this space, or add passengers, and a sensor orders the suspension to raise the rear of the station wagon to its normal, most effective level.

The alloy wheels shown are at extra cost

©1979 Mercedes-Benz of North America, Inc.,
One Mercedes Drive, Montvale, New Jersey 07645

Who would have thought it? Railroad freight car building, one o America's oldest industries, is now one of its most robust.

Look who's booming!

By Paul Gibson

IF WE TAKE AN ORDER today we cannot promise delivery before the first quarter of 1981."

Jet aircraft? Computers? Communications gear? Semiconductors? No, railroad freight cars. The man who made the statement is an executive of FMC Corp.'s Marine and Rail Equipment division in Portland, Ore. FMC is not alone. New orders for railroad freight cars started climbing in 1976. That year they totaled 38,000, reached 69,000 in 1977 and then soared again in 1978 to 116,000—the highest level since the mid-1950s. The carmakers can only deliver around 65,000 cars a year; there isn't any more foundry space available for steel casting of sideframes. Even so, this year they have written orders for another 100,000 vehicles. Pullman Inc. alone has a backlog of over $1 billion, more than double the figure three years ago.

"We've never had to book so far ahead," sighs CEO John Lloyd of Missouri Pacific Railroad, which is waiting for over 3,400 cars and 100 locomotives to be delivered this year and for almost as many in 1980.

Demand for locomotives is nearly as strong as for cars. With orders doubling since 1976 to almost 1,200 engines and no sign of any slackening ahead, General Motors' Electro-Motive division, by far the nation's largest builder of locomotives, recently added weekend and night shifts at its La Grange, Ill. plant, hoping to boost production to about 20%.

What is happening here? Frankly puzzled by the situation but nonetheless happy, ACF Industries President Henry A. Correa says, "The only explanation I can offer is that it's all because of the innovations in how our industry is financed."

Quickly, Correa explains that only a third of all the freight cars delivered by ACF in 1978 went to the major railroad companies. Similarly, of the 7,000 or so cars shipped by Pullman in 1978's first nine months, barely 30% went directly to the Class I railroads. The rest were purchased by leasing companies (40%) and shippers (15%). The balance went to American Rail Box Co. and its parent, Trailer Train Corp., two financing cooperatives owned jointly by 29 Class I railroads, but which purchase and manage their own independent fleet of cars.

This switch in ownership—a complete reversal of the buying pattern prevalent up until only two years ago—is regarded as significant and possibly permanent by both Pullman and ACF, the nation's two largest carmakers. "A whole avalanche of people are stirring up interest in owning freight cars," says Pullman Chairman Sam Casey, whose own firm has made a tidy profit since the late 1960s by owning and leasing freight cars in addition to making them.

Who are the new owners? They run the gamut: San Francisco's Itel Corp., which this year will buy every third boxcar made in the U.S.; medium-size bank-related companies like Philadelphia's Girard Leasing Corp., a car buyer in 1978; and a slew of private investors. Utilities also have become very big in freight cars, as the change from oil- and gas-fired power plants to coal has created a huge demand for coal hoppers; Iowa Power & Light, for example, recently took delivery of 115 coal cars. In chemicals, Dow Chemical is fast becoming an important purchaser of tank cars and may also buy coal cars if it develops its lignite deposits in Texas. Then there are private and corporate investors who are using rail cars both as a tax shelter and for capital appreciation *(see box p. 56).*

"Rail cars are a hot market for us," says Itel President Peter Redfield, "because the demand is there, yet the railroads we deal with have had and will continue to have trouble financing capital equipment." That's almost an understatement. The U.S. Department of Transport

T. Irvin, executive vice president, tells how A&A works from a client's point of view:

"We think growing companies deserve as much cash flow and asset protection as giant multinationals."

"Many small and medium-sized businesses don't realize it, but their basic insurance and financial concerns are the same as those of the multinationals. Big or small, a company has to be protected from the impact of sudden losses. And that's where we come in. Whatever size your company is, we'll use the same sophisticated risk management and analysis techniques we've developed over the years for our giant clients. As a matter of fact, our position as a worldwide leader in our industry is due largely to the growth we've enjoyed with our small and medium-sized clients. And we see much of our future growth coming from theirs. You can bet we'll be right there working with them. And with companies like them."

Working from a client's point of view is our way. From our top management to the men and women in over 110 cities here and overseas. That means working as allies, solving business problems together.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from a client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

tion, in a study issued last October, said the railroads faced a potential capital shortage of between $13 billion and $16 billion during the period 1976 to 1985—without counting Conrail, the federally supported basket case.

Formerly, third-party ownership was largely restricted to tank cars for oil and petrochemical firms. Most of these are owned and leased by GATX Corp. and Trans Union Corp., which got their starts when the trustbusters broke up John D. Rockefeller's empire. Nowadays, however, the ownership trend has spread to box- and flatcars, plus open hoppers for coal and covered hoppers to transport grain and other agricultural products. Within ten years, says Redfield, half the hoppers will be owned by agricultural companies and others not in the railroad business. Today fewer than a third are owned by outsiders.

Starting in the late 1960s, Pullman began sinking what Casey says has become "hundreds of millions of dollars" into building up its own fleet of 17,600 freight cars. These it leases to the grain and agricultural companies, like Cargill Inc. and Archer-Daniels-Midland Co., which, come harvest time, find themselves desperately short of cars. Mostly, Pullman leases its cars on medium-term, five-to-ten-year leases at a shade under $300 a month per car.

This isn't like leasing computers, where after six or seven years your machine is obsolete and ready for the scrap heap. Quite the reverse. Rail car technology rarely changes much. But thanks to inflation—up 25% in two years in this business because of escalating steel and labor costs—a freight car becomes more, not less, valuable as time passes. The freight car that cost $30,000 new in 1977 has a $40,000 replacement value today. Factor in accelerated depreciation and a 10% investment tax credit and you begin to see why Casey says of leasing rail equipment, "It's a cash cow. It's greatly impacting our earnings and will continue to do so all during the 1980s."

A ride on the rails

The 14 firms listed below make, lease or supply components for rail cars, or else they run short-line railroads. Demand for rolling stock has sent earnings soaring for almost all of them.

Company	1978 Revenues (millions)	1978 Earnings per share	EPS increase from 1977	Stock price range in 52 weeks	Price/earnings ratio
ACF Industries	$828.3	$4.72	14.5%	39½–28⅞	7
Amsted Industries	699.7	4.63	39.8	45 –29¼	7
Brenco	62.2	2.29	31.6	30¾–20¼	12
Emons Industries	7.2	.84	16.6	27¼–15⅞	23
FMC	2,912.8	4.22	17.2	28⅝–20½	6
GATX	742.2	4.84	dp*	32 –22¼	5
Itel	687.4	3.86	27.8	37½–16¼	6
Midland–Ross	578.7	2.71	28.4	20⅜–14	6
Naruc	31.0	1.30	nm†	12½–11⅜	9
Portec	204.9	1.95	57.2	22½–13	9
Pullman	2,594.0	5.83	92.4	48 –24	6
Rex-Noreco	3.5	.57	dp*	13¼– 4⅛	25
Tiger International	703.8	3.68	62.8	34⅝–15⅝	6
Trans Union	772.7	4.25	–4.7	38¾–28¼	6

*Deficit to profit. †Not meaningful.

"Quite simply," says President Kenneth G. Bosomworth of International Resource Development, Inc., the New Canaan, Conn. consultants, "the railroads of tomorrow will function as the movers of other people's rolling stock." As this happens, adds Bosomworth, there will be a great shift toward leasing, with the value of rail equipment including locomotives on lease doubling to almost $2 billion by 1985. Already a passel of both small and large firms, including the likes of U.S. Rail Service and COMDISCO, are acting as go-betweens on car-buying deals with banks and financial institutions putting up the cash and owning the equipment. Ford Motor Credit Corp., Greyhound Leasing & Financial Co. and General Electric Credit Corp. are actively involved in car-buying deals.

But the two biggest buyers and owners by far are Itel and Pullman. Itel, which started in computer leasing, plans to invest $1 billion in rail cars by 1983.

Pullman is also big in leasing truck trailers, but last year, thanks mainly to its rail cars, leasing's contribution to Pullman's earnings almost doubled, helping to push total earnings up from $3.03 to $5.83 a share. This year, expect $8. Itel's earnings from its rail freight have grown from $1.4 million to $16 million in just three years. How longtime lessors GATX and Trans Union must wish they had stuck with rail cars instead of branching out into shipping and real estate which badly penalized their recent earnings growth.

Itel has added an extra wrinkle. It has been buying short-line railroads and now has four. Owning short-line railroads is becoming one of the profitable ploys railroading and their operations m traditional railroaders seethe with an To understand why, you must first derstand a little about how the U.S. system works and in particular how da car rentals are levied.

Under the system's complex accou ing rules, whenever a shipment take car off the owning railroad's tracks onto someone else's, the second railr must pay rent for the car to the f railroad. The rental is called a per di charge. For years the more prosper western railroads have complained th cars are in effect being pirated by ca shy eastern lines that found it cheape rent than to buy. Not uncommon in industry are stories like the Boston Maine once telling its carmaker to s 750 new freight cars, only to have fe than 300 arrive. The others had b "hijacked" en route by competing r roads even before they reached B& New England marshaling yards.

What makes the car shortage e worse is that increasingly shippers h taken to keeping freight cars on th sidings, sometimes using them as l cost portable warehouses. To reduce pirating and to speed up unloading ti while also encouraging greater car bu ing, the Interstate Commerce Comm sion since the late 1960s has vastly creased user charges. Daily rentals boxcars now can run as high as $24 the peak shipping season, while just month the ICC approved a doublin the penalty charges for shipments are not loaded or unloaded within days of arrival.

Enter the short-line railroads an bunch of savvy financiers including I Redfield. They saw the ICC's move ease the car shortage as an opportu to turn a fast buck by introducing t own freight cars into the system an collect the now sizable rentals.

There are about 300 short-line roads in the U.S., each typically stre ing 30 miles, which came into existe to link a plant or mill with the m lines. Many are defunct. By purchasi short line the financiers can introduc many new freight cars into the syster they like. The cars bear the short li recognition marks, but once they le the builder's plant they become par the general traffic pool to be used other railroads. Often they don't m onto their "home" lines for month even years at a time. So far about a do short lines have been bought expre for this purpose.

Now $24 doesn't sound like much rental charge, not when even the ch est boxcar fetches $30,000 new. But ure it this way. If your car stays on o people's tracks for 80% of the year— at all impossible when there's a shortage—you will recoup all of you

The name that's a leader in calculators and electronic cash registers

KIDDE

Victor Business Products is Kidde's outstanding performer in office products. The reasons? More than 6,000 facilities, for sales and service in every U.S. county and 80 nations. State of the art products like the new 600 series calculator that sets new standards for reliability and performance. And premium features across the line, without premium price tags.

Victor electronic cash registers are also scoring big in the fast-moving world of retailing. With ECR products that range from stand-alone units to expandable systems with data communications capabilities.

These quality products, and hundreds of others from Kidde, have helped produce record sales, net income and earnings per share year after year. And now annual sales are at a rate in excess of $2 billion. To learn more about Kidde, write for our Annual Report. Walter Kidde & Company, Inc., 9 Brighton Road, Clifton, New Jersey 07015. And to find out more about the Victor Business Products, call Victor's toll-free number (800) 447-4700; in Illinois (800) 322-4400.

Some Kidde leadership products:

Industrial, commercial
Grove *hydraulic cranes*
Victor *business machines and temporary services*
N.J. Office Supply, Scott Rice *office products*
Ross-Martin *forms management services*
American Desk *auditorium and stadium seating*
Dura *automotive components*
Garden State *auto seat leathers*
Weber *aircraft equipment*

Safety, security, protection
Kidde, Fenwal, TOTAL *fire protection equipment*
Sargent, Presto, Arrow *locks*
Globe *guards and investigative services*
LeFebure *banking equipment*

Consumer, recreation
Farberware *cookware and appliances*
Progress *lighting fixtures*
Keystone, Mobilite *lamps*
Rexair Rainbow *vacuum cleaners*
Spartus *clocks*
Lucien Piccard, Arnex *watches*
Ertl *die-cast toys, model kits*
Vanity Fair *electronic toys*
Bear *archery equipment*
Daisy *air rifles*
PGA *golf equipment*
Nissen *gymnasium equipment*
Valley *coin-operated pool tables*
K&S *lawn equipment*

vestment in seven or eight years at the most. Again, that's not accounting for any depreciation, tax credits or residual value in a piece of equipment that likely will still be plying the tracks well into the 21st century.

At these rentals, per diem is much more profitable than ordinary leasing. Where a boxcar on lease might collect $5,400 a year, the same car on daily rental in today's car-short market could conceivably produce $7,000.

Wall Street, ever alert for new merchandise to peddle, last December sold to the public shares in National Railway Utilization Corp., a holding company for four short lines in the East. In five years, from a standing start, Naruc has hoisted its revenues to around $31 million, on which it probably earned $4.5 million in 1978. When it came to market late last year, Naruc had no difficulty in raising $9 million for new boxcars from investors willing to pay around 9 times earnings for its stock, about even with what the stocks of profitable railroads sell at.

What's good for the lessors is, of course, bad for the railroads: They would rather pull a leased car than have to pay rent on one. "I think the incentive per diem over time will be bad for the railroads," complains Vice President Peter Schneider of San Francisco's Thayer, Ringoen & Macdonald, which arranges lease financing for the big railroads. Snorts MoPac's Lloyd, "Itel gets the money and we do the work."

But while the railroads and the car lessors squabble over the spoils, bus nessmen who use the railroads are d lighted to get the extra cars. While t age and capacity of the railroad fleet h improved, the number of cars, 1.6 m lion, is down from 1.8 million ten yea ago. Many railroads are using nearly e ery dime they can get to keep the tracks in halfway decent shape and service their debt; they have little spare for the 20% down payment r quired for new equipment.

When FORBES asked General Mills if has trouble getting enough suitab freight cars, the company's transport tion man, Elmer Atchley, replied, "O my God, yes," and then launched into long lament about the difficulty Gene Mills' is having in keeping rodents out

You don't have to feed them

Soon Merrill Lynch hopes to sell freight cars through public offerings. "These will be suitable for an investor whose net worth is above $120,000 and [who has] earnings over $65,000," says Merrill Lynch's Michael Scillia, who expects personal investments in railroad equipment this year to top $300 million, triple 1978's level, as other Wall Street and regional dealers promote such investments. Already in the business are a number of promoters including Wayne Harbin, the former chairman of Marathon Manufacturing, now heading up Houston's Richmond Tank Car Co. which makes, leases and, on occasion, handles private placements of tank cars.

Besides the obvious attraction of income protection, rail cars are being presented as low-risk investments with high residual values and even as a way to secure a better standard of living in retirement. The mathematics of ownership can be beguiling for people in high tax brackets. After paying interest on the borrowed money and management fees, the investor is usually left with a rather small cash balance. However, thanks to accelerated depreciation and investment tax credit, he can claim a very large income tax offset the first year and declining amounts in subsequent years. By using the tax savings and the cash flow to reduce the debt, he will eventually end up owning the car free and clear, or nearly so. By buying a deal in his high-earnings, high-tax period and foregoing a cash return on his investment, an investor can hope to own a good income-producing property in his retirement years. In addition to giving up the return on his equity investment, however, the investor may also have to make further, relatively modest cash inputs as the tax savings diminish.

And—as with all tax shelters—there are plenty of pitfalls. Some are more real than apparent. "The high-flying promoters aren't deeply involved in this game yet," says William G. Brennan, author of a widely respected newsletter on tax shelters, "but you still need to read the fine print carefully." Among the points to watch:

- Hidden costs. When management firms supply rail cars they often mark up their purchase price 12% or more. That can run over $4,000 a car, so ask to see the manufacturer's invoice. Also, charges for maintenance, insurance and even state property taxes are easy to inflate, often clipping gross revenues by a third or more.
- Leverage. In practice, the wealthy borrow less than some promoters claim. In private placements involving business executives, Merrill Lynch says, only half borrowed any funds and then only up to 60% or so. Don't get locked in at today's sky-high interest rates.

Chairman Wayne Harbin of Richmond Tank Car Co.
A "richer retirement," investing in railroad tank cars.

- Delivery. Cars are in short supply. Your tax shelter could vanish if a promoter cannot get cars to sell you. One such promoter even walked off with the down payments.
- Residual values. High now for cars, but in a slump could tumble.
- Leases. Range from one month to seven years. While shorter leases yield higher returns, they carry greater risk; to cover costs a car needs to be in use 70% of its life. Beware of renting to short-line railroads that could go broke—as did the Virginia Central—or are strike prone.
- How sheltered? Buying cars after June 30 cuts first-year depreciation in half. Opinions differ, but some critics contend that as rental incomes outlast depreciation schedules you could end up paying not lower but higher taxes.
- And, finally, don't forget this: As in most tax shelters, the investor is sacrificing liquidity, tying up his money for a long period of time. An investor who must pull out before seven years have passed risks losing part of his tax credits as well as the markup he paid to the promoter.

Still, it is a beguiling business. As Chairman Sam Casey of Pullman Inc., the car builder, likes to say, "Rail cars are different from cattle or citrus groves. You don't have to feed or fertilize them." **—P.G.**

eal packages shipped by rail. Lately the Class I rail's profit performance has been atrocious. Traffic in 78 set a record of $21 billion, up 9%, net return on investment averaged s than 2%—even lower than in the ths of the Great Depression. The sition is uneven: A number of railroads, ticularly in the West and South are ng very well, but the desperate situan in the East and parts of the Midwest gs down the overall performance. is means that many major railroads nply cannot generate enough capital to deeply involved in purchasing all the ipment needed. The car lessors, refore, are filling the vacuum with tside capital.

Wherever the money is coming from, equipment manufacturers should e no trouble in raising their sales aner 20% or so to around $6 billion and bably will earn upwards of $325 miln in profits, double 1976's net.

The last great surge in rail-car orders in early 1970s was touched off by overprosperity and a grain-car shortage

ny railroads are using arly every dime they can llect to keep their tracks halfway decent shape and service their debt; they ve little to spare for the % down payment required hen it comes to buying new uipment.

sed by the Russian wheat deal. That om quickly led to a bust. Orders nged 66% in two years. Are we headfor another downturn? If so, in addin to the equipment makers, what will pen to all those smart financiers with ir private car fleets? Not a few of the ditional rail operators would almost lcome a recession if only, as one put "to see those blasted short lines gged with their own empty and unuse cars." That's a specter that could e day come to haunt the short lines. rmakers say they are getting fewer uiries about new cars than a year ago. so some well-seasoned lessors are rting to cut back on their funding nmitments. "You are seeing a general nd toward lower lease rates," says nneth Rusterholtz, vice president of nsportation financing at General Elec- Credit. GECC hasn't committed it- to any really big rail-car financing for o years now because, as Rusterholtz s it, "there's excessive bidding by too ny firms eager to supply equity."

No question: Some people may get rned in rail-car tax shelters and in the ort-line railroad business. But for ipment manufacturers, it's "Happy s are here again." ■

Of the 5 Great Liqueurs in the world only one is made in America.

Wild Turkey Liqueur.

Scotland has Drambuie. Ireland has Irish Mist. France has Cointreau and B&B.

Now America can boast its own great native liqueur: Wild Turkey Liqueur created in Kentucky by the originators of America's finest native whiskey, Wild Turkey.

Wild Turkey Liqueur is the "sippin' sweet cream" of liqueurs. It's made to be savored slowly after dinner. Or as a mellow accompaniment to an evening's conversation. You've tasted the great liqueurs of Europe. Now taste America's great one—Wild Turkey Liqueur.

NOTICE: SUPPLY WILL BE LIMITED. IF NOT IN YOUR STORE, PLEASE CONTACT AUSTIN, NICHOLS & CO., LAWRENCEBURG, KY. 80 PROOF © 1977

Today's
Chase.

"We produce results for multinational clients because we're multinational bankers."

"At Chase, we combine the account relationship manager's knowledge of a corporation's goals with the ability of our bankers in overseas markets to act and react with expertise on the firing line. That's how we serve international clients best."
REID

"Cooperation is the key. The relationship manager orchestrates the overall count and keeps everybody informed as to objectives. Those of us overseas know what the strategy is and work to produce results based on our knowledge of local business practices, currencies, and market conditions."
BANKS

"The teamwork that characterizes the Chase system really pays off for our customers. A typical example is the way we worked out a back-to-back for a large U.S. company wanting to borrow Swedish Kroner. At the time, it appeared there were none available anywhere. David coordinated some super detective work in London until he finally turned up a corporation that had Kroner and needed Sterling."
REID

"We have a mature presence in every major money center in the world. Understanding those markets and having such a proven system enables us to deliver services in ways the competition simply can't match."
BANKS

The Chase Bank. A worldwide network of branches and affiliates providing vast sums of money and essential banking services for clients in over 100 countries. What we offer is yours through your Chase Relationship Manager. Call on today's Chase Bankers today.

eid (left)
dent
sportation Division

anks (right)
dent
nhattan Bank, London

n Club, London

CHASE

©CHASE MANHATTAN BANK, N.A. 1979/MEMBER FDIC

What is NCR up to now?

We're up to number two in hospital computer systems.

Your hometown hospital, if it's automated, may very well be one of our customers. That's because NCR's share of the hospital market has grown to 22% in the United States.

NCR specialists dispense TLC—This dramatic rise is the result of NCR's market specialization philosophy. When selecting a computer system, hospital administrators want a supplier who builds more than hardware. They want EDP specialists who understand their problems. They need support people they can depend on to be there, night or day, until the system is up and running—then later, if problems should arise.

Administrators depend on NCR systems—Why are we up to number two in hospital computer systems? Administrators of medical institutions such as Deaconess Hospital in St. Louis, Shawnee Mission Medical Center in Kansas, Kettering Medical Center in Ohio, and St. Anthony Hospital in Denver helped put us there. They rely on NCR's MEDICS system that instantly updates patient information from admission to discharge.

Providing business equipment for 95 years—But helping hospitals fight rising costs is nothing new for NCR. We've been in the business equipment field for 95 years. Healthcare administrators look for this kind of experience when they choose an EDP system.

16,000 people in support—And they look for support. NCR supplies it, with 16,000 highly trained field engineers around the world.

Healthcare is just one of the fields where NCR is the leader. We're also up to management's most demanding requirements in retailing, financial, commercial, industrial, education and government markets.

Now you know why NCR is a world leader in general-purpose computer systems.

NCR
Complete Computer Systems

Why is Champion International expanding faster than most of its forest products rivals? Because Andy Sigler thinks it should.

Full speed ahead, damn the recession!

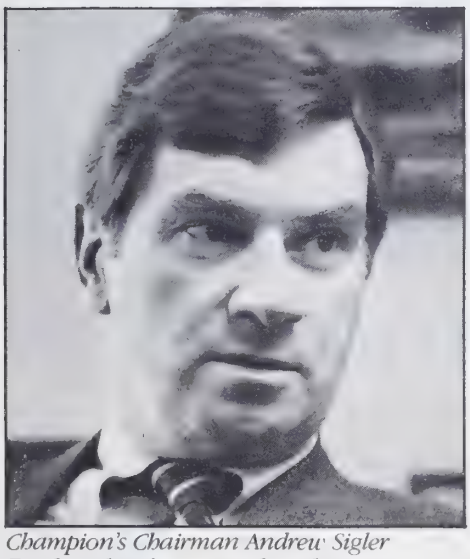
By Jean A. Briggs

NOT LONG AFTER Andrew C. Sigler, 47, was named president and chief executive officer of Champi- International Corp. he ran into Robert Pamplin, the legendary, now-retired s of Georgia-Pacific who built that npany into the biggest and most suc- sful in the forest products industry. nplin ran the hottest company in the siness. Sigler had just taken over one he least successful. "Son," said Pam- n, throwing an arm over Sigler's shoul- , "if you ever want to sell your Drexel niture subsidiary just let me know." igler laughs about the incident now, at the time he was a bit unnerved. d some information leaked out? Or s old Pamplin simply expecting Sigler do the obvious?

Pamplin had no inside information. ewd businessman that he is, he was bably prodding Sigler. For it was clear t Sigler had to get busy undiversifying hodgepodge company that his prede- sors had created and get back to ba- s—trees and paper.

igler, who started as a sales trainee at ampion Papers, had been with the npany over 17 years when he was ked to succeed Thomas Willers as ampion International's boss in 1974. llers, a former Occidental Petroleum cutive who now works for eccentric ionaire Daniel K. Ludwig, was fired Champion's board because of his nmitment to a failing strategy. Will- caught up in the jargon and faddism he Sixties, had wanted to turn Cham- n into a company that would "serve total home environment."

igler is careful not to ridicule his pre- essors. "Times were different," he s. "Pressures were different. The ite paper business wasn't a particular- good business in the Sixties and every- 's advice was to diversify." It is obvi- , though, from the way Sigler talks t he never believed in all that stuff



Champion's Chairman Andrew Sigler
Back to basics—wood and paper.

about "home environment." Sigler's commitment, then and now, is to trees.

In 1975 his predecessors' policies brought Champion to a point of crisis. Its earnings per share plunged 44% and the company earned only 9% on its highly leveraged equity. That same year its highly profitable rival, Georgia-Pacific, suffered an earnings-per-share decline of only 13% and earned nearly 16% on equity. Since the two companies were quite similar in size and were in many of the same businesses, the comparison was entirely unflattering to Champion.

Today the comparisons are much more flattering. Last year, Champion reported earnings of $3.32 a share, but this was after a special charge of 73 cents for settling antitrust suits. Without this charge, Champion would have earned $4.05 a share and would have shown a return of 18.3% on stockholders' equity; Georgia-Pacific, 19.7%. Sigler, in short, has almost closed the gap up with his most successful rival. Among other big companies in the industry, Weyerhaeuser earned 19.3%, Boise Cascade 14.2% and International Paper 12.9%, all before charges for antitrust settlements.

With housing starts likely to be down this year, Champion may suffer some slippage in profit margins. But absence of the special charge gives it a cushion. At any rate, this time its setback will be nothing like the one in 1975.

In the nearly five years since he took over as chief executive Sigler has not only done what Pamplin was nudging him about but a good deal else besides.

Sigler's first order of business was to get out of home furnishings and carpets. "We were able to do that much faster than I had thought we would," he says. "We accomplished most of it in two years; I would have thought it might take twice that." Why so quick? "There's always someone around who will buy something," he says. Then carefully choosing his words: "We didn't put false values on the businesses."

Sigler has sold 18 separate companies which had total sales of $640 million, but whose pretax earnings totaled a mere $2.2 million. "The aggregate profitability of those companies was about nothing," is the way he puts it. In the process he freed up over $400 million of capital.

Sigler's second major move was the purchase of Hoerner Waldorf, a highly profitable $500 million (sales) paper packaging company located in St. Paul, Minn. He bought it in early 1977. Shortly thereafter the company and the entire paper packaging industry failed to make badly needed price increases stick. But Sigler dismisses that as unimportant: "Business has been terrible for 18 months but that's a short-term thing. We're not talking about buying something for a year. This was a big thing for us, it tied in."

The fact is Hoerner Waldorf and Champion fit beautifully. F. Daniel Wilder, the former general manager of Champion Papers whom Sigler sent to Minnesota to run Hoerner, says Champion had wanted to get into the packaging business for years.

Hoerner Waldorf lacked trees and the financial strength to expand. Champion had both money and trees. "They spent $20 million in 1976," says Wilder. "We spent $46 million in 1977, $75 million in 1978 and expect to spend $129 million in 1979. They couldn't have afforded that on their own." The major project is the expansion of a pulp and paper mill in Montana that will increase linerboard capacity 56%.

Now, with all his pins in a row, Sigler is hell-bent on expansion while most of the industry is being cautious. He has announced a $2.1 billion capital spending program for the next five years. Boise Cascade is one of few other companies in the industry that will be spending at that rate. Sigler's plan includes $420 million for packaging, $845 million for Champion papers and $410 million for Champion

Creating new

Lockheed knows how.

World's fastest aircraft.

Flashing through the skies at speeds that made its black titanium skin glow cherry red, the Lockheed SR-71 has proved itself the world's fastest plane by setting two speed records that still stand. One record of 2092 mph over a 1000 kilometer course broke a mark of 1815 mph set by a Russian MIG-25 Foxbat in 1967. The other record—2194 mph over a 15/25 kilometer course—broke a mark set by the Lockheed YF-12A in 1965.

SR-71

Important as superior speed is, however, it is just one advance Lockheed has brought to the world of flight.

World's quietest big jetliner.

A new era, a new technical advance in aircraft. The L-1011 TriStar was certificated by the U.S. Federal Aviation Administration as the world's quietest big jetliner. It continues to be the quietest of the big jetliners, a welcome neighbor at airports and airport communities worldwide.

L-1011 TriStar

World's most advanced maritime patrol plane.

Most of the Earth is ocean. And most of the ocean under the keen scrutiny of the P-3C Orion.

Orion is uniquely qualified for maritime patrol. It fly low and slow for long periods of time. It can dash high speed to distant destinations. Its acoustic, electr and infrared "eyes and ears" can pierce fog and wat

Orion has been chosen by Australia, Iran, Japan, New Zealand, Norway, Spain and the U.S. Navy. And Canada recently selected an advanced version called

P-3C Orion

dvances in flight.

Lockheed's first airplane, the Model G in 1913. This original hydro-aeroplane carried three passengers at 60 miles an hour.

ra. No other maritime patrol plane is close to Orion tions served, miles flown or overall capability.

rld's fastest loading airlifter.

e C-5 Galaxy began a new epoch in airlift. It is the st military airlifter ever built. It can carry heavy oment impossible for other aircraft to handle. the world of airlift, where speed in loading and ading is critical, the C-5 stands alone. It is the only er that kneels on its landing gear to bring its cargo close to the ground— within shoulder height—to l handling of huge pieces of equipment. It is the airlifter that loads and unloads at both ends. In actual ation, 200,000 pounds of cargo have been unloaded a C-5 in under 30 minutes.

rld's most versatile airlifter.

e C-130 Hercules began its career purely as an airlifter. g the way, this sturdy, simple airplane has added roles. Now it is a tanker, a search and rescue plane, oto-mapping aircraft and a commercial cargo plane. en serves as a passenger liner.

In the Arctic, Hercules lands on skiis. Around the world, it lands on runways of gravel, dirt or sand that turn away other aircraft.

And it's a fuel saver. Its quiet, thrifty turboprop engines use far less fuel than turbofan engines. No wonder 43 nations have chosen this timeless plane of many missions.

Creating new advances in flight has been the life work of thousands of Lockheed workers. The Super Constellation helped establish world airline routes. The F-80 was America's first operational jet fighter. JetStar—and now the JetStar II—has led the way in creating the field of business jets.

The long-range C-141 StarLifter was America's first fanjet airlifter. The S-3A Viking is a major advance in carrier-based patrol aircraft. In advancing the world of flight, Lockheed knows how. In virtually all types of aircraft.

Lockheed

Pfister Tradition

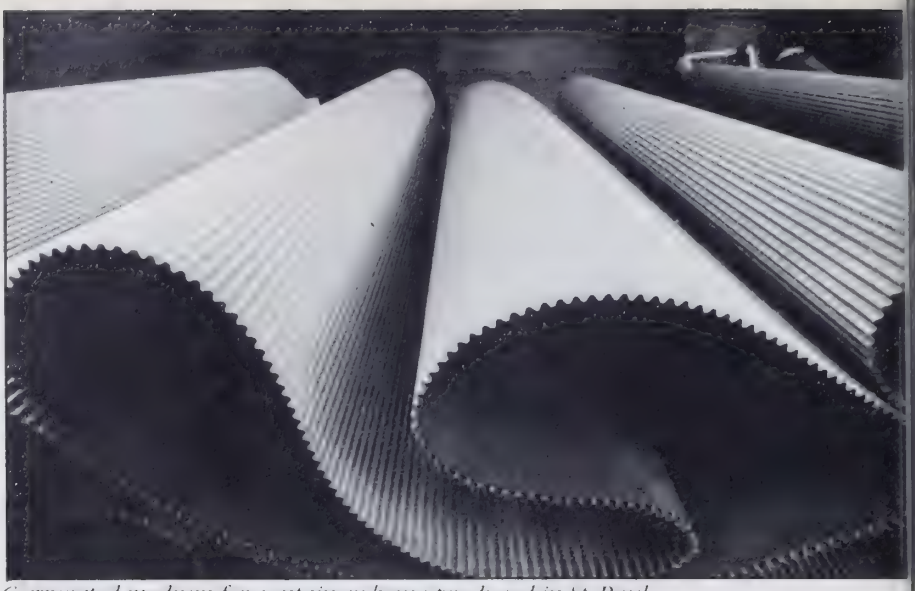
Tradition is a treasured custom handed down through time. At the Pfister Hotel and Tower, "Salve" is our philosophy. Simply stated, "Salve" hails a warm welcome to those who enter. It assures you that the Old World charm and grace that greeted guests and dignitaries in the 19th Century is unchanged. We continue to display the same consideration and courtesy that was thought to be lost; nothing is more important to us than knowing you are well taken care of.

Tradition is a time honored practice, borne out of dedication and, above all, service.

Member
Preferred Hotel Association

The Pfister Hotel & Tower

424 E. Wisconsin Ave.
Milwaukee, Wisconsin 53202
CALL TOLL FREE
1-800-323-7500



Corrugated medium for containers being produced in St. Paul

Acquisition of Hoerner Waldorf put Champion into packaging at last.

building products, the old U.S. Plywood Co. which merged with Champion Papers in 1967. The remaining $425 million is mainly for timberlands.

Where's the money coming from? Sigler hopes to generate 80% of the capital internally. Cash flow is presently running at about $319 million a year. Sigler has cut Champion's debt ratio from 46% to 36.8%—partly through a timely sale of common shares in 1976 when the stock was higher than it is now. So, there is plenty of borrowing power, if needed, to finance the rest.

The expansion is carefully aimed at specific markets in which Champion already is well established: printing and writing papers, for example, where Champion has had customers on allocation for over a year. "We are one of very few companies building new plants for printing and writing papers," says Robert F. Longbine, head of Champion Papers. "Even if the economy grows fairly slowly, and such developments as electronic fund transfers mean demand for printing and writing paper doesn't quite keep up with that growth, there'll still be market enough for our new production."

In the past five years Champion has increased plywood production nearly 30%. According to John Ball, head of that division, it plans to increase it another 35% in the next five years.

Champion has also increased its lumber production nearly 50% in the past five years to 1.45 billion board feet and plans to add another 200 million board feet shortly. And it is about to bring a new particle-board plant on stream.

Basic to all this is Sigler's recognition of the importance of the company's number one asset: trees. Champion is the fifth most richly endowed company in terms of cubic feet of timber—after Weyerhaeuser, International Paper, Georgia-Pacific and Crown Zellerbach owns 3 million acres across the coun It controls, through long-term cutti rights, 400,000 more.

When Sigler became chief execut officer, timberlands became a separ profit center rather than merely a supp er of raw material to paper and plywo plants. Explains L.C. (Whitey) Heist, t division's chief: "Take a plywood pla Unless you attempt to put a market pr on the timber you put through it, y could deceive yourself into thinking y were making money when you were Or that you should keep it running wh you shouldn't."

Timber is now transferred at mark prices to the sawmills and pulp mills a Heist books the profits. They are la allocated back to the operating divisio

Another reason for breaking timb lands out was to make sure the fore were managed properly—that a piece wood going to a pulp mill should inde be headed there and not to a sawmill and to oversee the vitally important forestation and acquisition activities.

You don't turn a giant company or dime, but in less than five years An Sigler has completely reoriented th $3.5 billion (revenues) outfit. It kno what it is now: a tree company, not conglomerate. And it is in one of the be of all businesses. "North America is t place to be in the forest products indu try," Sigler says. "We're the low-co producers. We're one industry that c support Mr. Strauss' negotiations. W can be in favor of free trade."

A blunt, no-nonsense man, Sigler su denly looks pleased. "We're getting plu from analysts," he says. "And that's a l different than it used to be." Maybe n enough plugs: Champion still sells only five times earnings and at a fair substantial discount from book valu But this, too, may change. ■

An Arthur Young View:

Congress Didn't Invent Internal Controls with the Foreign Corrupt Practices Act

When it enacted the Foreign Corrupt Practices Act, the Congress believed that good systems of internal control would help to curb illegal payments. Therefore it included in the Act not only specific prohibitions against bribery and other foreign corrupt practices, but also requirements for accurate record keeping and adequate internal controls.

Some companies—and, sometimes, their advisors—have assumed that the Act requires a project of massive proportions to evaluate and revise the company's control systems. While that's undoubtedly needed for some companies, we believe it's unnecessary for most.

We make that statement because many companies have long recognized the importance of strong internal controls. Over the years they have developed good systems and ongoing programs for monitoring those systems. These companies should not panic; rather, they should continue their present quality performance and simply take steps to assure ongoing compliance with the Act.

Establishing a program

We believe reaction to the Act should include a program for the following:

1–Assignment of qualified people to oversee the development, staffing, and execution of the compliance program.

2–Assessment of the quality of the company's internal control environment—that is, the importance attached to internal accounting controls throughout the company—its "control consciousness."

3–Assessment of existing control systems through a review of comments reported previously by independent and internal auditors, and by other means including selected special reviews.

4–Correction of significant control weaknesses that are identified.

5–Continuous monitoring of the operation and suitability of the systems.

There are limitations

A good internal control system *permits* the preparation of reliable financial statements, but it *doesn't produce* them. Sound judgments, estimates, and evaluation by management are necessary ingredients critical to all financial reporting.

Similarly, good internal controls are no guarantee against bribery and corrupt practices, although they make such practices more difficult.

We do believe many people, including some in government, do not understand these limitations of internal controls. Nor do they understand the cost-benefit considerations required of management in establishing new controls. In fairness to its investors, a company must weigh the cost of an added control against the value of the asset to be protected, the extra precision in financial reporting which might be achieved, and the risk of loss or misstatement in the absence of the control. These are matters for critical and balanced judgment by those responsible for the conduct of the business.

In our view, while the Foreign Corrupt Practices Act does create the need for review and evaluation of internal accounting controls, what most companies need is a calm and studied approach. It is not an occasion for pushing the panic button.

The 582 Partners and Directors of Arthur Young & Company

In the four-handed game for control of National Airlines there are three sure winners, but who will be the loser?

High-stake poker

By Phyllis Berman and Richard Greene

EVEN BY THE UNGENTLE standards of takeover battles, this one is getting vicious. Francisco A. (Frank) Lorenzo, president of Texas International Airlines Inc.: "Pan Am has bought politicians and lobbyists from coast to coast, from Maine to Florida. . . ."

Pan American World Airways Inc.'s recent press release: "[Eastern Airlines Chairman Frank] Borman is again acting as a spoiler because of his fear of competition. . . ."

Charles J. Simons, vice chairman of Eastern Airlines Inc.: "I don't think they [Pan Am] know their butts from a hole in the wall. Is that clear?"

No. Nothing is clear. Except that Pan Am, Eastern and Texas International all want Lewis B. (Bud) Maytag's $589 million National Airlines Inc. Pan Am (revenues, $2.2 billion) now owns 24.1% of National's 8.56 million shares outstanding and has a contract to buy the rest at $41 a share. Eastern (revenues, $2.4 billion) with virtually no stock has offered $50 a share. Little Texas ($180 million) has 23.2% of National and is attempting a hostile takeover at market price.

The story really began last fall, when the Airline Deregulation Act of 1978 was passed. Prior to the act, the only merger between major carriers the Civil Aeronautics Board would surely approve involved a failing airline, like Capital and United in 1961. But that's been changed.

And National is a most tempting partner. Its route structure sweeps through the growing Sunbelt and then north to New York. The CAB recently gave it several profitable North Atlantic routes. Most important, its fleet—15 DC-10s and 40 727s—has a probable market value of $700 million, nearly twice as much as the $425 million Eastern would pay for the airline at $50 a share.

Knowing this, Bud Maytag, National's chairman, who controls over 4% of its shares, has played a shrewd poker ga
On May 25, 1977 Maytag first ente
into negotiations with Pan Am. Ei
months later, he told Seawell Natio
wanted to stay independent.

The next step was pure coincide
Frank Lorenzo and William T. Seaw
Pan Am's chairman, went together
Pan Am's July 1, 1978 inaugural fli
from Houston to London. Seawell did
know it, Lorenzo says, but Texas In
national had been quietly buying Nati
al shares, as the price rose from $1
share all the way to $40.

Says Lorenzo: "By absolute coin
dence, three days before we left, Natio
announced its earnings. As usual, tons
stock were dumped on the market. T
was the same day we went over 5
After we got to London, I figured a
courtesy I'd tell Seawell—having no i
he was [still] interested in National.
retrospect, that's one conversation
remember for the rest of my life."

Says Seawell: "I was surprised. I ha
real interest in National only I hope
didn't show it."

Seawell came back to New York a
went to work. By Sept. 6 he and May
had hammered out an agreement for P
Am to buy National at $41 a share.

But the prize still eluded Pan Am.
Dec. 6, National's President Edward
Dolansky testified before the CAB:
somebody else wishes to make a super
offer, the proxy has not gone to
stockholders and the board of directo
Management would be obligated to c
sider whether it was more attractive."

Dolansky was responding to a qu
tion by Richard P. Magurno, an attorn
for Eastern. In a week Maytag had Ea
ern's $50-a-share offer on his desk.

Says Seawell bitterly: "Mr. Borm
just happened to make his offer th
hours before the proxy material was
ing out."

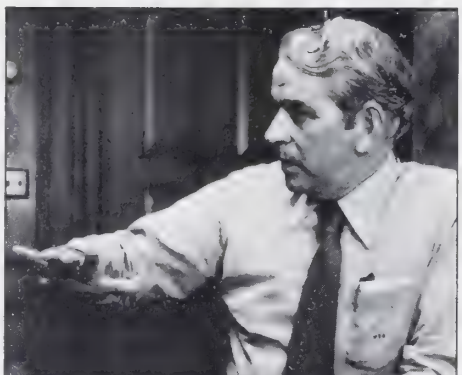
The whole mess is now in the lap
the CAB. It will probably disallow a
merger it finds anticompetitive in a "r
evant" market. What's a *relevant* m
ket? It could be city pairs like New Yo
Miami, hubs (cities with many incomi
and outgoing flights for a given airline
nationwide market or another formula

Seawell feels these rules put Easte
out of the game. "There is no way th
can mask the basic facts," he says. "Ea
ern is National's number one compe
tor. . . . The deal is so anticompetitive
doesn't have a chance of success."

Retorts Eastern's Vice Chairman
mons: "This new environment chang
the rules. What has been traditional
the past no longer applies."

Eastern's argument is simple. With d
regulation, *anyone* can enter *any* mark
If Eastern and National merge, the
city pairs they share will attract outsi
competition. Says Borman: "Can anyo
imagine New York-Miami reverting

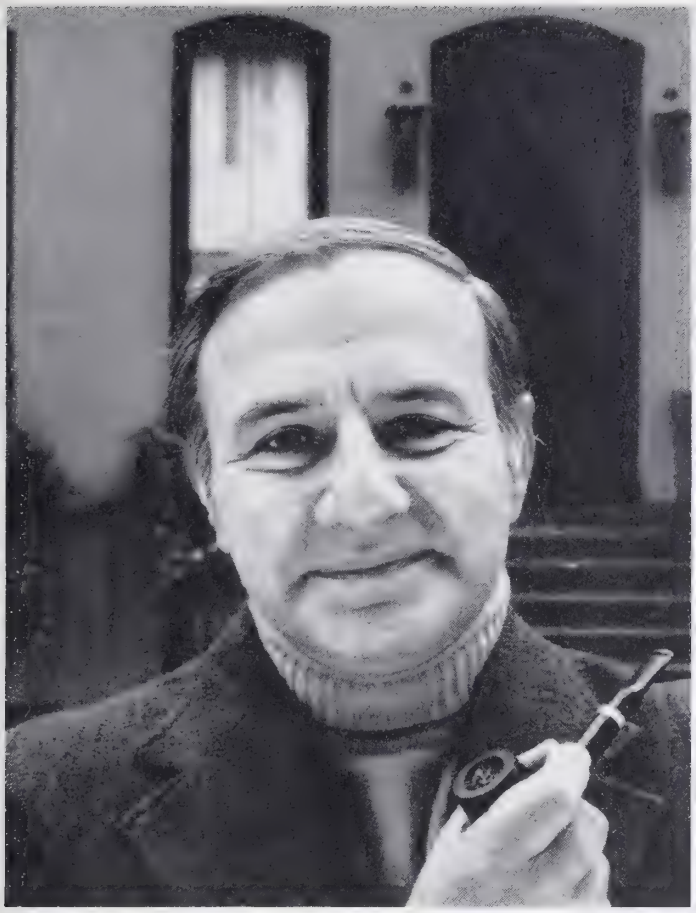
TI President Francisco Lorenzo

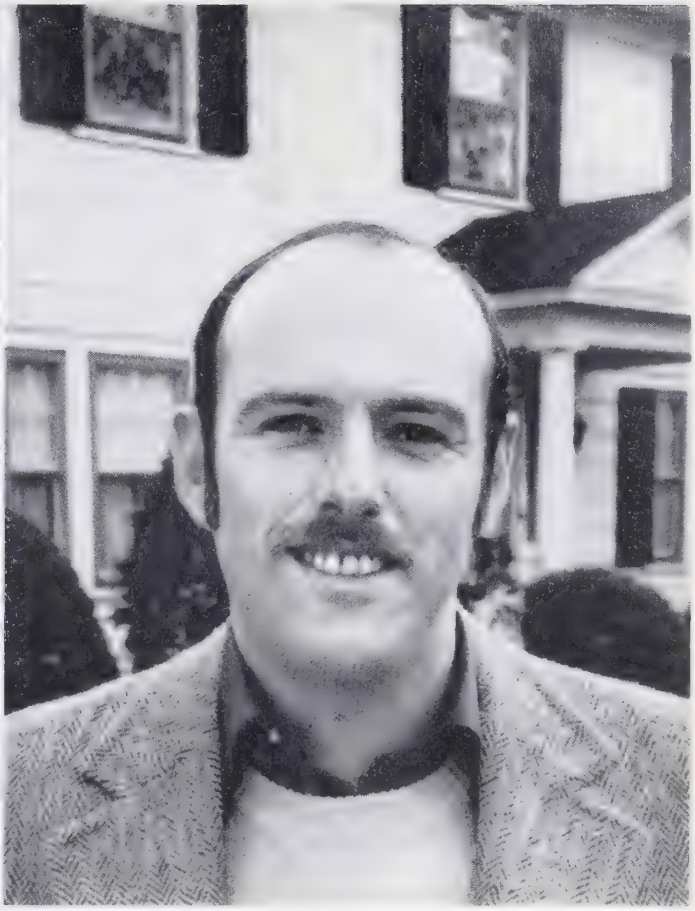


Pan Am Chairman William Seawell

Eastern Chairman Frank Borman

Hot words and escalating offers in a historic contest for a shrewd—and tempting—partner.





One of these homeowners is thrifty, safety conscious, and a sitting duck for financial disaster.

He doesn't even know it. He thinks he's done his best to protect his home and his possessions. He hasn't.

Many people, like the man on the left, believe they have adequate homeowners insurance. But inflation has been pushing up the value of their homes. They don't update their coverage every year. So when disaster strikes, they are unable to fully recover their losses.

Rising replacement costs are one reason. In the last 10 years the cost of re-siding a home jumped 132%, re-shingling a roof 155%; and repainting a living room 142%.[1] In the last five years alone, the cost of building a new home has increased 63%.[2]

As a group of property and casualty insurance companies, we don't want you to be a sitting duck by not having your insurance provide full protection for your home. Check with your agent to be sure your homeowners policy reflects the amount of additional coverage inflation has made necessary.

Here's what we're doing to help protect you:

- Offering policies with a built-in inflation clause.
- Supporting strict building codes to reduce fire risk.
- Designing new coverages to meet the special insurance needs of older homes.
- Helping to develop safety standards which protect life and property.
- Operating special claims assistance and damage repair programs in times of catastrophe.
- Conducting fire prevention and arson control programs.

Here's what you can do to protect yourself:

- Re-evaluate your home insurance needs annually with your agent.
- Take a higher deductible if you can. It lowers your premiums.
- Install a smoke detector or burglar alarm. Many companies offer premium discounts for such devices.
- Get a receipt or appraisal for all major household items (furniture, antiques, jewelry, art). Duplicate it and keep it and all such records in a safety deposit box away from your home.
- Inventory all your possessions and take photos of each room to document what you have.

1 Source U S Dept of Labor 2 Cost does not include land Source U S Dept of Commerce

This message is presented by: The American Insurance Association, 85 John Street, New York, NY 10038.

Affordable insurance is our business...and yours.

© 1979 American Insurance Association

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

February 1, 1979

$500,000,000

CITICORP

Floating Rate Notes Due 2004

Interest Rate through April 30, 1979 at 11.05%

Price 100%

plus accrued interest from February 1, 1979, if any

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Goldman, Sachs & Co.	Merrill Lynch White Weld Capital Markets Group Merrill Lynch, Pierce, Fenner & Smith Incorporated	Salomon Brothers
Bache Halsey Stuart Shields Incorporated	Blyth Eastman Dillon & Co. Incorporated	Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation	Drexel Burnham Lambert Incorporated	E. F. Hutton & Company Inc.
Kidder, Peabody & Co. Incorporated	Lazard Frères & Co.	Lehman Brothers Kuhn Loeb Incorporated
Loeb Rhoades, Hornblower & Co.	Paine, Webber, Jackson & Curtis Incorporated	Smith Barney, Harris Upham & Co. Incorporated
Warburg Paribas Becker Incorporated	Wertheim & Co., Inc.	Dean Witter Reynolds Inc.
Bear, Stearns & Co.	L. F. Rothschild, Unterberg, Towbin	Shearson Hayden Stone Inc.

y two authorized carriers, a competi-
e level not tolerated in a regulated
rket for the last 25 years?"
eawell responds: "I am not accusing
nk Borman of telling untruths . . . but
also spreads moon dust once in a
ile. And in this case it is strictly a ploy
create delay. Eastern doesn't want
npetition. Why are they so exercised?
ause they see some stronger competi-
n coming down the road. And it is
ng to be called Pan American!"
However, Alfred E. Kahn, former head
he CAB, has come out against a Pan
-National merger. Kahn thinks it
uld be better for the industry for Pan
to build, not acquire, a domestic
tem. Although he no longer has any
ct say in the CAB, Kahn's opinion
y still be held in high regard by some
ts members, as well as by President
ter, whose okay is ultimately needed.
ndeed, the new, competitive-minded
B seems to enjoy stirring the pot. It
granted a waiver of its long-standing
e—that no airline can buy more than
% of another without CAB approval—
hat Texas International could buy up
25% of National (provided only that
stock be put in a nonvoting trust).
Am later benefited from this change
the rules when CAB—in fairness—
wed it the same waiver.
ays Gloria Schaffer, a recent appoin-
to the CAB: "I think the feeling was
t this [Texas] was an attempted hos-
takeover, and there seems to be a
ing among staff and board that hos-
takeovers are often desirable."
Here's where the situation stands: Na-
al has proposed to settle the matter
setting Eastern against Pan Am in a
-step auction, with Pan Am winning
t matches Eastern's fifth-round bid.
man—maintaining that this would
e "a chilling effect" on bidding—
nts an unlimited auction. If he doesn't
it, he has threatened to sue. The
stion analysts are asking is:
Does Borman really want National? Or
e just trying to keep Pan Am from
ating a supercompetitor for Eastern?
doubt, with National, Pan Am would
a far stronger company than it is now.
as gotten new competition in some of
best international routes and has been
ually squeezed out of the Caribbean.
has the planes, the money and the
rgy to give slightly profitable Eastern
eal run for its money on its routes
ng the eastern seaboard. And Eastern
ill afford such competition.
ut where does this leave Texas? Bud
ytag has made it clear he doesn't
nt any part of a takeover by the
all local-service carrier. ". . . Texas,"
wrote in a letter to Lorenzo's board,
s embarked on a venture it can't
sh." Not too subtly, Lorenzo retorts
t Maytag has a conflict of interest
ause Pan Am and Eastern have of-

National Chairman Lewis Maytag
He's not being coy—just smart.

fered him $375,000 a year for five years as a senior executive officer. "A payoff," sniffs Lorenzo.

At the moment the sure winners are Frank Lorenzo and Bud Maytag. Maytag, in addition to his contract, will get a minimum of $15 million for his own National stock. Lorenzo's Texas International owns about 2 million National shares that cost it $54 million and should bring over $95 million if the Eastern or Pan Am deal goes through. Also, Texas stands *some* chance of getting National—it may be the only one approved by the CAB, for instance. Meanwhile, the arithmetic is getting a little weird. At $50 a share, the bidders are putting a price of $425 million on National Airlines. At the same time, the *stock market* is putting a value of only $315 million on American Airlines, which is four times as big as National, and only $670 million on UAL, which is *six* times as big and includes a flourishing hotel chain. You figure it out. ■

May you live every day of your life.

Jonathan Swift

Four Seasons-Clift Hotel
SAN FRANCISCO
Geary and Taylor Streets

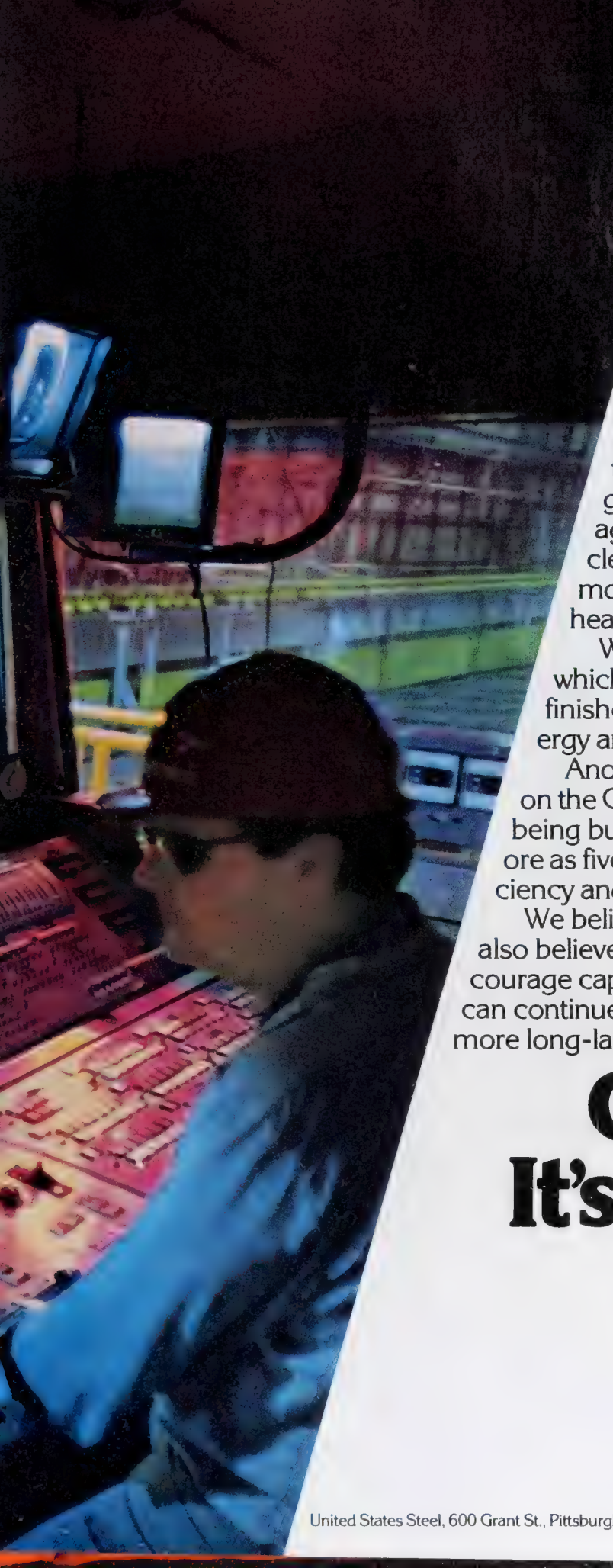
Call your Travel Agent
or in New York State
Toll-Free 800•462•1150
Elsewhere in Continental
U.S. 800•828•1188

We Welcome
American Express Cards.

AMERICAN EXPRESS

To invest $6 billion in your company, you have to believe in its future.

We do.



Within the last ten years, U.S. Steel's capital expenditures for the development of new products, new businesses, raw materials resources and improved and expanded facilities, have totaled more than $6,000,000,000. Here are a few examples.

About 70 percent of our raw steel today is produced in electric, basic oxygen, or Q-BOP furnaces. Just a decade ago the total was only 20 percent. These cleaner, very efficient furnaces replaced more than 100 less productive open hearth furnaces.

We now have seven continuous casters which process about one-fifth of our semi-finished steel. This equipment conserves energy and improves product yield.

Another example is our shipping operation on the Great Lakes, where two super-ships are being built. Each will hold about as much iron ore as five older vessels, thereby increasing efficiency and productivity.

We believe that this is money well spent. We also believe that our government must act to encourage capital formation, so that private industry can continue to make improvements and create more long-lasting jobs.

Confidence. It's one of our strengths.

USS

TRADEMARK

United States Steel, 600 Grant St., Pittsburgh, Pa. 15230

If Textron had not strayed from its founder's precepts it might never have become so heavily involved in Iran.

Adjusting the balance

SINCE THE EARLY Fifties when Royal Little decided to turn his cyclical textile company into the world's first conglomerate, broad diversification has been Textron, Inc.'s guiding principle. Today its 25 divisions gross more than $3 billion from making products as diverse as watchbands, chain saws, helicopters, zippers, greeting cards, hearing aids, roller bearings, machine tools and gas meters. Far from being an unmanageable hodgepodge, Textron has been exceptionally profitable with its diversity, regularly earning 15% or better on stockholders' equity. Textron worked so well it became the answer to anyone who questioned the conglomerate concept.

But in recent years Textron has strayed a bit from Little's path. Its Bell Helicopter division has grown to where it accounts for nearly 25% of overall corporate earnings. Don't knock it: The growth has been profitable though it did somewhat unbalance the company. Rendering Textron even more vulnerable was the fact that more than one-third of Bell's business has been in Iran. The collapse of the pro-Western government there will probably cost Textron $1 billion in sales over the next six years.

How much will Iran cost Textron on the bottom line? About 70 cents a share this year after taxes. Wall Street, which was predicting an earnings gain of about 30 cents a share, is now predicting a *decline* of 40 cents—a difference of about $21 million. This is hardly a body blow to a company with $1 billion in equity capital and profits last year of $168 million, but it means a down year for Textron and further damage to its image as a growth stock. Textron sells currently at only six times 1978 per-share earnings of $4.47. Continuing Securities & Exchange Commission investigations into alleged bribery have wasted endless amounts of executive time and diverted top management from its basic business of running the company. "We can no longer count on Iran," says CEO Joseph Collinson. He says it almost with relief.

Textron had two major contracts with Iran. The first, a so-called foreign military sales agreement, negotiated by the U.S. government, called for the delivery of more than $800 million in helicopters, spare parts, logistics and training. Textron has already received $500 million. But the remaining $300 million, due in the next year or so, appears in jeopardy, especially after Textron announced last month that it has removed from Iran over half its 3,000-man work force.

A second contract of $575 million over the next six years was negotiated directly with the Iranian government, and called for Textron to build a helicopter plant in a joint venture with Iran and supply parts as well. This would have picked up the slack as the first deal wound down. It was canceled when Iran defaulted on an $80 million advance payment for the project.

Collinson, 64, tall and precise-speaking, likes to point out that Bell is by no means totally dependent on Iran. It has a strong stake in the commercial helicopter market whose uses include executive transportation and servicing offshore oil and gas drilling. Bell's big push into the commercial market, Collinson believes, eventually will offset the drop in Iranian business and begin to be reflected in earnings in 1980. Though Collinson refuses to be specific, the aftertax margins on commercial helicopters are, he says, "substantially higher" than the 6% margins on foreign military sales. "Bell will have a drop in sales this year because of the Iranian situation," he says. "But the profit loss will not be so great because we will have increases in other phases of our business."

Already Bell has a backlog of more than 100 orders for its new Model 222 medium-size commercial helicopter, expected to begin rolling off the assembly line in October. Bell's goal is to sell 600 222s at $1 million apiece over the next five years. Bell will also introduce two other models: the 412 and 214ST commercial helicopters.

Even so, the commercial helicop market is only a fledgling $500 million size, and at its projected 15% ann growth rate, it could be years before co mercial sales fully absorb the lost Irani business. Commercial aircraft sales which now account for about one-qu ter of the Aerospace group's $1 billion revenues and $43 million in net come—would have to more than doul to offset the Iranian sales loss. Iran deal Textron a serious blow, and put heavy burden on its other groups: C sumer, Industrial and Metals.

The setback comes at an inconvenie time for Collinson, who became CE last year when G. William Miller left become chairman of the Federal Reser Board. An accountant by training, and former Arthur Young & Co. partner, C linson joined Textron as its treasurer 1959 and was made president in 197 His tenure as CEO will be short-lived. H plans to retire at year's end—and hop to leave on a happier note.

However, his successor, with the Ir setback largely behind him, has an exc lent chance to get earnings rising agai The most likely candidate is Robe Straetz, 57, Textron's president, wh started as a salesman with the com pany's Homelite division in 1946 an worked his way up the ranks, becomi that division's president in 1969.

Collinson and Straetz are a study contrasts, both in personality and bac ground, but complement each other we Says Straetz: "Miller was a brilliant co ceptualizer. Joe and I are closer to ope ations than to the broad picture; o style allows for an upward flow of info mation from the group officers."

Whatever the differences in style the top, Textron seems still committe to the "balanced growth" concept: a quiring smallish companies compatib with existing divisions while growi internally by introducing new product Textron is also looking for domina companies in small, fast-growing ma kets, but not big dramatic moves. A ca in point is Jacobsen Lawnmower (sale $100 million), which Textron bought la year. Other recent acquisitions include $40 million resin-producing division Ashland Oil and an Australian greeti card manufacturer to complement th company's Valentine Sands division.

Of Textron's acquisition strategy Co linson says: "We would rather build solid, steady growth record than an erra ic one by taking unnecessary chances."

Textron's essential balance, Collinso believes, will assert itself and fill the ga left in Bell by the Shah's fall. If that ca be achieved, the soundness of Royal Li tle's basic concept will again have prove itself—even though Textron straye from it a bit in the case of Iran. ■

Special Advertising Section

Interdependence: Japan/USA

MATSUSHITA IN VIDEO TECHNOLOGY:

The people who developed the 4-hour video home system now present the 5-foot Color Video Projection System.

After you develop and introduce Omnivision IV™ VHS,™ the 4-hour video home player and recorder, what do you do for an encore? Introducing the 5-foot (diag meas) Color Video Projection System from Panasonic that's so sharp and crisp it literally turns your home into a theater.

Someday we may look back and say this was the time television emerged from the bi-plane age into the jet age. Not since the introduction of color have there been such dramatic changes. First Matsushita Electric introduced the four-hour Video Home System (VHS™) that has put TV programming control into the viewers' hands rather than the networks'. And now Matsushita (pronounced Mot-soosh-ta) has another way to watch TV that is both literally and figuratively a gigantic step forward: A compact one-piece Color Video Projection System with a giant-sized 5-foot (diag meas) screen.

LIFESIZE TV.

The 5-foot (diag meas) TV screen isn't just big. It's spectacular. You'll feel as if you're in the middle of a sporting event or sitting in the best orchestra seat for a show or movie.

However, Matsushita engineers were after more than just a big image. After all, there are other video projection systems, but the Matsushita Color Video Projection System is a one-piece system. Unlike two-piece systems that require you to align them, our one-piece system is aligned automatically. No alignment is required, ever. Plus our system has a wide viewing angle. Add to that, a Schmidt optic system in a three-tube in-line arrangement for brightness. The result: a sharp, clear, lifelike picture even in normal room light.

VIR, COLORPILOT™ AND BIG SOUND.

As you'd expect the Panasonic Video Projection System also incorporates the latest electronic color controls: VIR and ColorPilot. With VIR, special circuitry automatically reads color signals sent out by TV stations. ColorPilot automatically takes over for those stations without VIR or those transmitting a weak VIR signal. Each system works to bring you accurate color that remains constant from station to station, program to program — all automatically. In addition, a Video Sensor automatically adjusts the TV picture to surrounding room light. And we didn't forget the little touches like a washable screen and handsome simulated wood cabinetry.

Matsushita engineers didn't forget sound, either. There's a 2-way 3-speaker system for excellent tonal quality. And the System also has a six-function infrared remote control and electronic tuning.

The Matsushita Video Projection System is also designed to be the center of a complete televiewing system. In conjunction with Panasonic Omnivision IV™ you can program an entire evening of personalized TV. You can see programs that you recorded while you were away or when other programs were being broadcast. Or play your own video tapes made with an optional TV camera. Or watch video tapes of sports and theatrical presentations that may be purchased or rented. All are enhanced by the huge picture.

TINY TV TO GO.

At the other end of the TV spectrum, Matsushita built the world's smallest color TV as well as the world's first 1½″ (diag meas) black and white set. Today, many people are finding that small portables that play on both house current and batteries make perfect second sets.

In addition to Omnivision IV™, Matsushita has demonstrated a unique disc player system that reproduces color images and stereo sound from a disc that looks like an ordinary LP phonograph record and can play up to two hours.

All these developments and the more than 50 million TV sets Matsushita has made to date stem from a controversial business philosophy. A philosophy which states that while profit is vital to business, a company's contribution to society by continuously improving product and technology is even more important. Only when Matsushita contributes to society can it expect to profit. It is a philosophy that works. In 1977, the Company owned over 49,000 patents and sales were $7.8 billion worldwide for our *Panasonic, Quasar* and *Technics* brands in the U.S. and Canada and *National* virtually everywhere else. Matsushita stock is traded worldwide, in the U.S. on the New York and Pacific Exchanges (symbol MC).

For more information about Omnivision IV™ VHS,™ the Color Video Projection System and the company behind them, write: c/o Matsushita Electric Corporation of America, Communications Division, One Panasonic Way, Secaucus, N.J. 07094.

CAUTION: Unauthorized recording of copyrighted television programs, films, video tapes and other materials may infringe the rights of copyright owners and be contrary to copyright laws.

anasonic Color Video Projection System lets you watch anything
on a 5-foot (diag meas) screen. Omnivision IV™ VHS™ lets you record
ing on TV for up to four hours and then play it back

MATSUSHITA ELECTRIC
PANASONIC TECHNICS QUASAR NATIONAL

THE AGE OF MICRONICS IS HERE.

Introducing the NP-80. The newest and most advanced member of Canon's full line of plain paper copiers. So sophisticated, Canon had to develop a new science—we call it micronics—to make the NP-80 what it is.

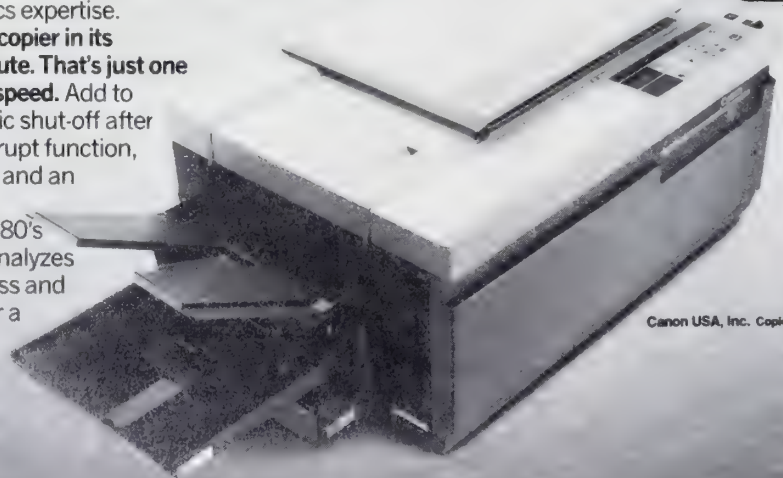
What is micronics? It's a combination of space-age technology and our own engineering/optics/electronics expertise.

The fastest desktop copier in its class—32 copies per minute. That's just one advantage of micronics: speed. Add to this instant-on, automatic shut-off after 36 seconds plus an interrupt function, and you have both a fast and an efficient copier.

Then there's the NP-80's Micro-Computer. It self-analyzes the entire copying process and notifies you if there's ever a problem. It makes this copier so intelligent, it thinks for itself. So the machine can take over tasks previously performed by humans. The end result is simplified operation and greater reliability.

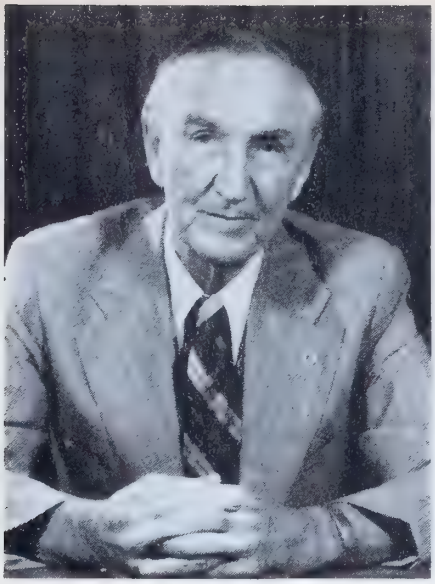
All this, plus Canon's improved their remarkable NP process with two unique innovations. First a seamless CdS drum delivers more speed and long life. And second a new roller developing system uses less toner and produces completely dry copies. You get copy quality close to printing quality.

Check out what the NP-80 can do for you. After all, wouldn't you like to be the first person in your business to enter the Age of Micronics?



Canon
PLAIN PAPER COPIER
NP 80

Canon USA, Inc. Copier Division 10 Nevada Drive, Lake Success, N.Y. 11042



U.S.–JAPAN RELATIONS

In An Increasingly Interdependent World

George Santayana, the Spanish philosopher, once wrote that "A wall is a door." This seemingly contradictory declaration deftly describes the current U.S.-Japan economic situation. What Santayana was getting at, I believe, is that any obstacle, once overcome, becomes a gateway to further progress. In the past year we have made significant progress in persuading Japan of the importance of increased imports and a more balanced economic relationship with its trading partners. The world is witnessing the second opening of Japan with new and attractive opportunities for exports now available. Never before has Japan been so open to American exports. American businessmen are finding that markets in Japan can be won; to make the most of this situation we must learn more about Japan—its distribution system, its market practices and its consumer preferences. In short, we have to take the same kind of long-term approach and do the same kind of market research that the Japanese did in the 1950s and 1960s in order to enter the American market.

It is said that America and Japan look at each other through the same telescope; Japan looks through the eyepiece and sees a huge but minutely detailed and therefore comprehensible United States. Americans, on the other hand, look at Japan through the other end of the telescope. From that viewpoint Japan does not loom large at all, and we tend to undervalue the importance of the country, its people, and their way of doing business. I urge American businessmen to learn more about the world's third largest economy and to look at it as a potential market. There have been success stories already—McDonald's, Schick, Texas Instruments, etc.—and we are confident there will be many more. Because of President Carter's national export policy and Secretary Kreps' Trade Mission last year, together with the successes enjoyed by the Trade Facilitation Committee in identifying and eliminating impediments to increasing U.S. exports to Japan, the trend is up and there is every reason to believe that this will continue.

I have always believed that the fate of the United States is inextricably linked to the future of East Asia. Americans often seem to have a fixation on Europe, which to an extent is understandable since so much of our culture and so many of our ancestors came from there. But we are gradually coming to realize that our future lies in the Pacific and East Asia.

Let me review for you briefly some of the remarkable events that have occurred over the past year that have greatly strengthened stability and economic progress in Asia and the Pacific.

First of all, the United States and China have normalized relations, ending a 30-year period of mistrust and misunderstanding. China's desire to have full diplomatic ties with us is a manifestation of its new, outward-looking policy, both in terms of economic development and foreign policy. China is turning to Japan and the West for economic and technical assistance, and we are witnessing such unprecedented, forward-looking steps as China's sending large numbers of students, scholars and technicians abroad to study. China is thus becoming a more constructive member of the international community and a positive force toward a reduction of tension in the East Asia-Pacific region.

For this reason we welcomed the

signing last year of a peace and friendship treaty between Japan and China. We believe that the treaty will contribute to peace, stability and prosperity in Asia by nurturing a reciprocal set of interests including trade, economic development and cultural exchange. It also marks the end of a difficult period of uncertainty and start of a healthier and more fruitful relationship between China and Japan.

Second, the heady breezes of economic growth are blowing strongly in Southeast Asia and the ASEAN nations are seeking ways not only to consolidate their economic gains but to provide for their common security. We are pleased to see that Japan has become not only the region's largest trading nation but its largest source of economic aid as well. While there are still significant tensions in Indochina, it is important to note that in contrast to the serious differences among the communist states of the region, the ASEAN nations are growing stronger as time passes.

Third, South Korea has made remarkable strides in its economic and social development. It is in recognition of these gains and its new strength that the United States believes it is possible gradually to reduce the level of our ground forces in the ROK. We are confident that the program will not create a soft spot in our cooperative defense effort in this part of the world.

Lastly, Japan has fully emerged as an economic leader in the world and is gradually assuming the responsibilities that go with leadership. Whether at an economic summit addressing global issues, or at any number of regional forums, we are pleased to see the creative energies of Japan brought to bear on the multitude of problems confronting the world.

Our economic interests in Asia are also expanding. Last year the return on U.S. investments in East Asia was the highest in the world and the trend is up. Last year our trade with East Asia surpassed in amount our trade with Western Europe and the trend is up. Our exports to Japan alone were well over $13 billion in 1978 making Japan our largest overseas market. A serious problem exists, however, in that Japan's sales to the U.S. are about $25 billion, leaving a burdensome deficit between us. This year we expect that, with shifts in trade patterns resulting from yen appreciation and other factors, we will make great strides in resolving our bilateral trade problems. We are cooperating to strengthen the world economic order in ways which will benefit both countries. With the measures being taken on both sides, we hope to see more stable markets for foreign exchange, and much larger Japanese imports, especially of manufactured products. As we continue working together I am confident that there will be a substantial reduction of our trade imbalance.

There is a broad range of areas in which Japan and the United States are already jointly at work toward goals we share and which neither of us can reach alone. There is a long history of cooperation between our countries in the United Nations and affiliated organizations. We work closely with Japan and other developed countries in the United Nations Conference on Trade and Development. Regional institutions are another field for our interdependence. Japan's association with the developing countries of Asia is underscored by the new initiatives toward ASEAN announced during former Prime Minister Fukuda's successful visit there. Japan plays a major role in the Asian Development Bank, the Inter-American Bank and the African Development Bank.

Bilateral relations between Japan and developing nations, as well as between the United States and developing nations, continue to play a major role in the process of increasing mutual understanding and cooperation between North and South. In this connection the United States welcomes Japan's pledge to double by 1980 her 1977 aid disbursements to developing countries. The interest of Japan in broadening her aid effort beyond her traditional programs in Asia as befits an economic superpower is attested to by her several assistance programs in Africa. We also applaud Japan's new policy of generally untying new aid loans so that developing countries may obtain the best available equipment with these loans at the lowest costs.

The United States and Japan have also continued their close cooperation in the Organization for Economic Cooperation and Development (OECD). Since Japan was welcomed into its ranks in 1963, we have exchanged views on current trends in our economies, consulted each other on domestic and international economic issues, and subjected our economies to intense scrutiny. Here, too, Japan is being accorded an increasingly large role reflecting growing prosperity. A particularly good example of this can be seen in the recently formed OECD Steel Committee. Intended to study trends in supply and demand for steel as well as make specific recommendations on production and trade policies, the Committee will meet a critical need for multilateral consultations on a vital industrial product.

There remain, of course, other problems yet to be overcome, but as long as we recognize the growing complexity of the world economy and the increased interdependence between the United States and Asia, we can look forward to mutually beneficial economic and security relations.

Mike Mansfield
U.S. Ambassador to Japan

The international bank with your interests at heart.

Dai-Ichi Kangyo Bank is Japan's largest bank. With total assets of over 73 billion dollars. But our size doesn't make us impersonal. A worldwide staff of financial experts ready to give your project their individual attention. And we have your interests at heart.

DKB representative on the scene in New York

We have your interests at heart.

DAI-ICHI KANGYO BANK

DKB

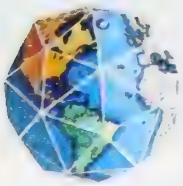
Our Network in U.S.A.

New York Branch: One World Trade Center, Suite 4911, New York, N.Y. 10048, Tel: 212-466-5200 **Los Angeles Agency:** 707 Wilshire Blvd., Suite 5700, Los Angeles, Calif. 90017, Tel: 213-687-0900 **Chicago Representative Office:** c/o The First Pacific Bank of Chicago, Mid-Continental Plaza, Wabash at Adams, Chicago, Illinois 60603, Tel. 312-782-5400 **Houston Representative Office:** 1100 Milam, Suite 4660, Houston, Texas 77002. Tel: 713-654-5055 **Subsidiary in Chicago:** The First Pacific Bank of Chicago, Mid-Continental Plaza, Wabash at Adams, Chicago, Illinois 60603, Tel: 312-782-5400.

Head Office: 6-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100, Japan **Branches at:** London, Dusseldorf, Taipei, Seoul, Singapore **Representative Offices at:** Toronto, São Paulo, Mexico City, Caracas, Frankfurt, Paris, Beirut, Jakarta, Sydney **Subsidiaries at:** Amsterdam, Zurich, London, Hong Kong **Affiliated and Associated Companies at:** Rio de Janeiro, London, Luxemburg, Hong Kong, Bangkok, Singapore, Kuala Lumpur, Jakarta, Manila, Melbourne, Sydney.

GEOBANKING®

The Manufacturers Hanover Way of Worldwide Banking



Geobanking.
It is money moving and working around the world.

It is the Manufacturers Hanover way of worldwide banking.

Unlike most major international banks, Manufacturers Hanover does not enter a region or a country with a rigid operational philosophy.

Instead, it adopts a way of banking that works best for a particular place at a particular time.

Geobanking.

It is wholly responsive, since it fine-tunes banking to national and regional needs.

It is flexible, admitting swift adjustment to changes in prevailing conditions.

And Geobanking enables Manufacturers Hanover to marshal strengths from the worldwide resources of a $40 billion organization.

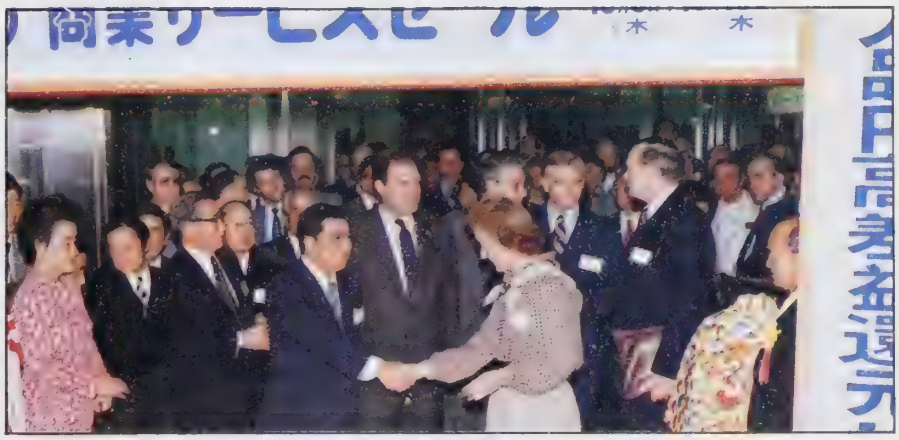
MANUFACTURERS HANOVER
The banking source.Worldwide.

Incorporated with Limited Liability in U.S.A.
Member FDIC

Every cloud has a silver lining.
The Japan-U.S. trade gap is quite a cloud.
The silver lining?
The best chance ever for U.S. exporters in the Japanese market.

THE WORST IS OVER

Japan-U.S. trade relations have, as most everyone knows, been going through some bad times. Japan's surpluses, growing steadily since the recession of 1974-75, peaked at the end of 1978; in that year, Japan exported an estimated $25 billion worth of goods to the United States and imported only about half that much. It was the biggest bilateral trade deficit in history. Said the Tokyo-based president of the Boston Consulting Group, James C. Abegglen (a highly respected American Japan-watcher): "A distinct note of irritation is in the air."



New Beginning: U.S. Commerce Secretary Juanita M. Kreps cuts tape to open officially American Fair at Tokyo's new World Import Mart in October of 1978. Secretary Kreps headed 100-member U.S. delegation.

Is the irritation justified? At first glance, Japan seems to be enjoying an overwhelming advantage from that cumulative $36-billion trade gap. But look a little closer. The economical automobiles which Japan sells to the U.S., for instance, are made of Japanese steel, much of which is in turn made from Australian coal and iron ore. Australia, an English-speaking country with close links with the U.S., runs surpluses in its trade with Japan, surpluses amounting to billions of dollars. And Australia is in heavy deficit in its trade with the U.S. Orders from Japan for raw materials, in other words, enable Australians to buy U.S. products. Purely bilateral trade figures are misleading, and the demand for balanced bilateral trade everywhere is a short-sighted one which would quickly bring world trade to a halt.

HOW TO CLOSE THE GAP

Even so, however, the 1978 trade surplus with the U.S. was something that no one in Japan, or the U.S., wants to see repeated. Japan has a vital interest in U.S. goodwill just as the U.S. has a powerful interest in Japanese prosperity, directly and indirectly.

But how? To oversimplify, either Japan exports less to the U.S. (and therefore imports less from everyone) or the U.S. exports more to Japan, stimulating the American economy and. boosting world trade in the process. So where do we begin?

We begin by considering the two countries as they actually are. The U.S. is a comparatively new nation, with abundant raw materials which until recently met most American needs. The U.S. therefore has practically the whole range of human needs available for export.

Japan is an overcrowded chain of islands long on scenery and short on everything else. In no single raw material can Japan supply even half of its needs; in most, Japan is dependent on imports for anything from 95% to 100%. Even where Japan appears to be largely meeting the needs of her 115 million people from her own resources—in rice, poultry and pork, for instance—she is heavily dependent on fertilizer made from imported oil, and foreign-grown food grains (more than a billion dollars' worth were imported from the U.S. in 1977).

A MATTER OF NECESSITY

Not surprisingly, Japanese and American attitudes towards international trade are very different. Japan supports her population by importing raw materials, processing them and selling the resulting products on the world market. Machinery makes up half the Japanese export total; add metals, chemicals and textiles and you've accounted for just about everything "made in Japan." Food exports from Japan are mostly fish products and less than 1% of the total. The Japanese have traditionally been wary of importing anything but the basic necessities of food and raw materials. In 1868, at the time of Japan's opening to the outside world, her industries were much behind those of the developed West; no Japanese manufac-

If expertise in securities is money, Yamaichi is worth fortunes.

With 80 years experience, Yamaichi is one of Japan's foremost securities firms, providing the complete expertise you require to maximize opportunities in the securities field.

With the yen becoming an increasingly stable international currency, our brokerage business on behalf of foreign clients in Japan has enjoyed unprecedented success. Success that can be attributed directly to our position of leadership among Japanese securities companies. Success that makes us your ideal partner in all aspects of the securities business: underwriting, brokerage, distribution, dealing, research, and investment banking.

Yamaichi's offices on four continents are linked by a 24-hour-a-day "hotline" which gives our international clients immediate access to data pertinent to their needs—up-to-the-minute stock quotations, economic and industrial studies, corporate evaluations, and investment and bond market analyses.

If you're looking for expertise in securities, consult Yamaichi. In Japan and throughout the world, we have the know-how necessary to offer you immediate and comprehensive assistance with your investment requirements.

Uncommon vision in international finance.

YAMAICHI

YAMAICHI SECURITIES CO., LTD. **Head Office:** 4-1, Yaesu 2-chome, Chuo-ku, Tokyo 104, Japan Telex: J22505 Tel: 273-5111
Yamaichi International (America), Inc.: One World Trade Center, Suite 5361, New York, N.Y. 10048 U.S.A. Telex: RCA 233738, 232357, TWX 710 581-4496, WU1-2244 Tel: (212) 432-6600 **Los Angeles Branch:** 333 South Hope Street, Los Angeles, Calif. 90071, U.S.A. Telex: TWX 910 321-3890 Tel: (213) 626-0401 **Chicago Branch:** 135 South LaSalle Street, Suite 2017, Chicago, Illinois 60603, U.S.A. Telex: 910-221-0248 Tel: (312) 236-3350

Paris, London, Frankfurt/Main, Amsterdam, Zurich, Montreal, São Paulo, Hong Kong, Singapore, Bangkok, Seoul

turing could have survived, let alone grown, without rigid protection. For most of the century since, Japan's problem has been not trading surpluses, but nagging, incurable deficits caused by the need to import not only food and raw materials, but advanced foreign machinery and know-how as well.

A USEFUL SIDELINE

By contrast, American industry has never considered manufactured exports as anything more than a profitable, useful sideline to the main business of supplying the huge and sophisticated U.S. market. Economies of scale and superior technology meant that American exporters, if they were successful at home, did not have to make any extra efforts to sell abroad.

In terms of gross national products neither Japan nor the U.S. is all that dependent on foreign trade: Japan's exports are only a little over 10% of its GNP, its imports less than that. U.S. exports and imports are both under 10% of the U.S. GNP—less than half the proportion of the manufacturing countries of Western Europe. The difference is that Japan's exports are vital because they finance necessary imports . So, as an exporter, Japan has had to try harder.

But that is changing. The U.S. now has to get into exporting seriously, for much the same reasons that have impelled Japan for a century: to meet a big and growing bill for imports, especially oil. The Japanese market for U.S. goods is already big (second only to Canada's) and the Japanese economy continues to grow at a brisk clip. Nothing would please both the Japanese government and business community more than to see U.S. exports to Japan grow.

PERSISTENT MYTHS

Why then was last year's trade so wildly unbalanced? It was not so much the result of Japanese import restrictions or a Japanese government-sponsored export drive. Both are now largely myths, or, more accurately, memories of how things were a long time ago.

True, the Japanese market was pretty much closed to foreign manufacturers up until the early 1960s. The bombed-out Japan of 1945 reproduced in many ways the conditions of 1868. The Japanese governments of the early post-war years severely restricted foreign manufactured goods and coddled the struggling industry to get it back on its feet.

As Japanese industry became competitive internationally, and therefore competitive in its home market as well, import restrictions diminished. But Japan continued to be a heavy importer of foreign capital goods and technology. The yen stayed cheap and Japanese products continued to export well. So, in the early 1970s, with the re-equipping of Japanese industry almost complete, trade surpluses with the U.S. started to pile up—$3.2 billion in 1971, $4.1 billion in 1972. The result: the yen began to climb in value and Japanese exports became more difficult to sell.

OIL UP, YEN DOWN

Then the 1973 oil increases tripled Japan's oil bill and brought the yen tumbling down again. The trade surpluses with the U.S. started to soar once more, this time into the stratosphere—$1.7 billion in 1975, $5.4 billion in 1976, $8.1 billion in 1977, and last year's whopper, estimated at more than $11 billion.

This looked like an ugly trend which might continue forever. But it is not. In little more than a year, the yen appreciated almost 40%, partly as a result of those huge surpluses. In the early months of 1978, the situation appeared to worsen as U.S. imports from Japan (expressed in terms of cheaper dollars) seemed to soar—though in yen terms (which is what counts to the Japanese) the change was far smaller. In fact, by the third quarter of 1978, exports to the U.S. expressed in yen were down 11% and imports

KIKKOMAN Soy Sauce
NOW MADE IN AMERICA

Teriyaki Sauce
Naturally Brewed Soy Sauce

Ideally situated in America's wheat and soybean heartland, Kikkoman's 200 acre Wisconsin plant—a major facility opened in 1973—utilizes modern technology to uphold its well-known tradition of product excellence.
Now nationally advertised and distributed, Kikkoman has attained an ever growing acceptance in homes and restaurants the world over.

World renowned quality Since 1630.

KIKKOMAN SHOYU CO.,LTD.
KIKKOMAN SHOYU CO., LTD. 339 Noda, Noda City, Chiba 278, Japan
KIKKOMAN FOODS, INC. P.O. Box 69, Walworth, Wisconsin 53184 U.S.A.
KIKKOMAN INTERNATIONAL INC., 50 California Street, Suite 3600 San Francisco, Calif. 94111, U.S.A./BRANCHES: Los Angeles, New York, Chicago and Atlanta

from the U.S. expressed in dollars were up 28%. The tide had turned, and the last quarter of 1978 showed it running even more strongly in favor of the U.S.

The same period shows a permanent change under way in the pattern of Japanese imports: the proportion of manufactured goods to total imports rose from 21.8% in October-December 1977, to 29% in November 1978. This partly reflects a slow and steady change in the Japanese lifestyle, as new families with more Western tastes become more numerous, as the consumption of American-style food increases, and as Japanese living standards rise.

Significantly, the most striking changes were in leisure products (up 80%), Western-style furniture (up 67%), and sporting goods (up 55%)—areas where U.S. manufacturers have long excelled.

The whole Japanese trend towards a Western pattern of consumption should favor American manufacturers above all other competitors, in fact, because Americans are the Westerners Japanese know best.

FAR FROM CLOSED

How open is the Japanese market? The image of a country semi-closed to manufactured imports—a sort of economic Tibet—is at least 15 years out of date, although such old ideas die hard, and the vagaries of yen and dollar have helped to perpetuate the illusion. In fact Japan now has no import quotas, except on certain voter-intensive, politically explosive farm products like beef and oranges, and even there the barriers are slowly coming down.

Outside of these highly specialized areas only five manufactured items were still restricted in February 1978, compared with six in the U.S., 11 in West Germany and 27 in France; and Japanese tariffs on manufactured and non-oil mining products in 1975 averaged 3.6%, vs. the U.S. average of 5.7%, and 6.7% in the European Common Market. The Japanese market, as far as government goes, is as open as any in the industrialized world.

What about non-tariff barriers? Every country has them, and Japan has its share. Japanese regulations on things like product safety and pollution are severe, and Japanese bureaucrats enforce them strictly, on Japanese and foreign manufacturers alike. In addition, the Japanese language, especially in its written form, is difficult. The need, however, for conquering each other's language is just as great on both sides of the Pacific.

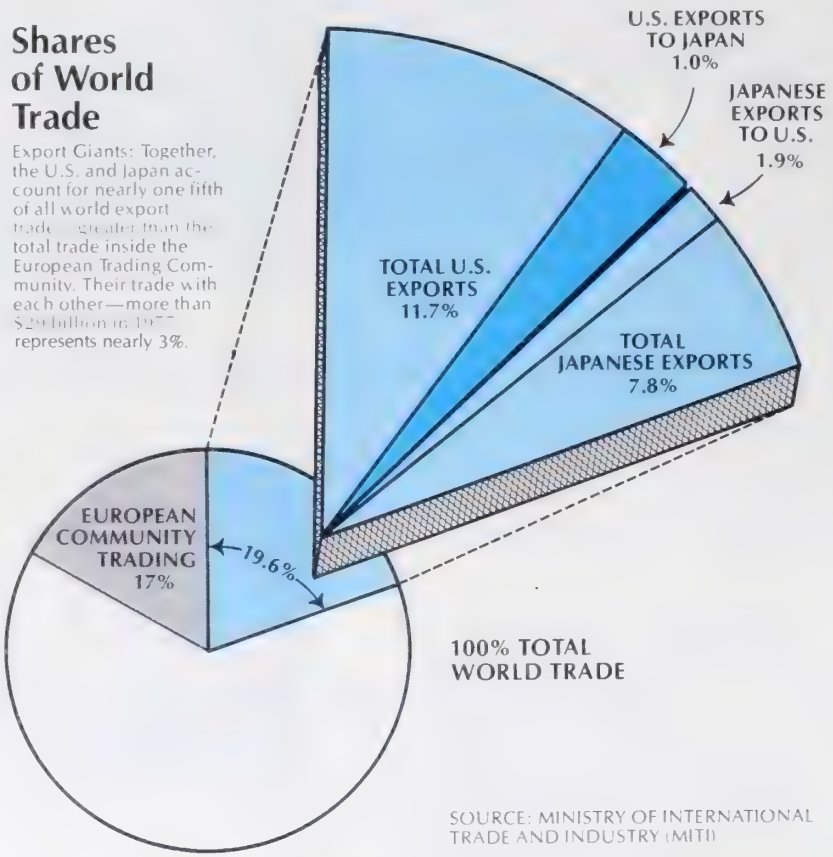
Too, the Japanese distribution system has comparatively little experience in handling foreign manufactured goods. In short, in no way is the Japanese market easy. The competition—other foreigners and the Japanese themselves—is steep, as it usually is when the prospective rewards are so great.

COOPERATIVE EFFORTS

However, help is increasingly available to U.S. exporters. The great Japanese trading companies (sogo shosha) have experience unique in the world in bringing together manufacturers, retailers and consumers. The U.S. and Japanese governments have established a U.S.-Japan Trade Facilitation Committee to work towards overcoming some of the problems outlined above. Since October 1978 the new World Import Mart gives foreign manufacturers the opportunity to show their products to Japanese distributors and consumers at Ikebukero, close to the heart of the Tokyo business world. The Japan External Trade Organization has been organizing Export-to-Japan seminars in major U.S. cities. A 92-member Japan Import Promotion Mission went to the U.S. in March of 1978.

The greatest help of all, however, is likely to be the expensive yen and comparatively cheaper dollar.

But even with all this help the Japanese market is not, and is never likely to be, an easy one. Exporting to Japan takes in-depth market study, efficient manufacturing, imagination and new ideas. In fact, manufacturers who can succeed in Japan can probably succeed anywhere. Look at the Japanese, who first made the grade at home.


Shares of World Trade
Export Giants: Together, the U.S. and Japan account for nearly one fifth of all world export trade—greater than the total trade inside the European Trading Community. Their trade with each other—more than $29 billion in 19[illegible] represents nearly 3%.
U.S. EXPORTS TO JAPAN 1.0%
JAPANESE EXPORTS TO U.S. 1.9%
TOTAL U.S. EXPORTS 11.7%
TOTAL JAPANESE EXPORTS 7.8%
EUROPEAN COMMUNITY TRADING 17%
19.6%
100% TOTAL WORLD TRADE

SOURCE: MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)

INTERVIEW: Masaru Uchida, chairman of the Sogo Shosha Committee of the Japan Foreign Trade Council

"Japan has always been a good market for imported products."

Trade relations between the United States and Japan continue to be the cause of misunderstanding by both parties. Here Chairman Uchida gives concrete advice to the American businessman contemplating entry to the Japanese market.

Q. Why is Japan such a difficult market for foreign goods?

A. First of all, Japan is, and always has been, a good market for foreign goods. Even in feudal days when Japan was closed to the outside, foreign goods brought in through Nagasaki by the Dutch were much sought after.

Japan is, however, the most homogeneous market in the world. Its idiosyncrasies, for the most part, can only be understood by those born and raised in its social environment. Distribution, for instance, has been the nemesis of many a foreign marketeer.

What works in New York will not necessarily work as well in Tokyo – particularly if the concept is forced upon the Japanese marketing staff.

I would say that the first step toward success in the lucrative Japanese market for foreign goods is to get a Japanese partner with a reputation for winning. Sogo shosha, the Japanese general trading companies, are good examples of what to look for in a Japanese partner.

Q. But sogo shosha are often called "non-tariff trade barriers." Are they not so?

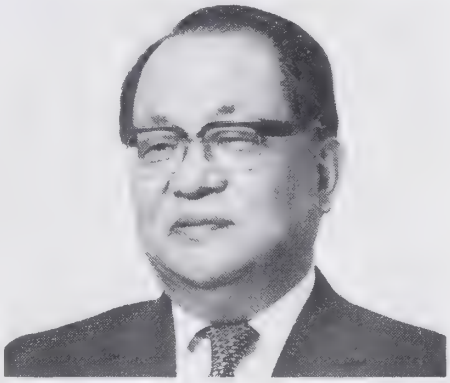
A. Nothing could be further from the truth. *Sogo shosha exist for free world trade.* Including importing to Japan. In fact, the 15 top sogo shosha that form the Sogo Shosha Committee of the Japan Foreign Trade Council imported more from the United States than they exported to the U.S. from Japan. Approximately $10.4 billion worth of goods were contracted for import and $9.2 billion for export in the sogo shosha's US/Japan trade during calendar 1978.

Q. What markets in Japan show the most promise for new products and services from the United States?

A. We find that franchise restaurant systems are just beginning to show their true potential in Japan. McDonald's, Kentucky Fried Chicken and Shakey's Pizza have led the way, but recent additions such as Denny's and Baskin-Robbins are also proving very successful.

Again, it is best to find a partner that is already successful in the field. We know of foreign companies that have failed dismally because they chose the wrong partner.

Who knows what the future holds, but we see promise for American products and services in such fields as computers, large and small; medical electronics and other equipment; telecommunications equipment and electronic components; food processing and packaging equipment; advanced scientific and technical equipment; home appliances; packaged food, especially marine products; chemicals; sporting goods; and fashions. Of course there is always a demand for raw materials and fuels such as coal, coke, and liquefied gases.



Masaru Uchida: "Sogo shosha exist for free world trade"

Q. Does the Japanese consumer discriminate against foreign brands?

A. The modern Japanese consumer probably has less prejudice against products from other countries than consumers in any other country in the world. There was a time when imported or foreign brands connoted extremely high prices and superlative quality to the Japanese consumer. With significant increases in discretionary income, especially among younger consumers, however, the idea that imported and foreign brands are out of reach of the ordinary consumer is no longer a problem.

Japanese consumers may well be more familiar with American brands than American consumers are with Japanese brands. Olin skis and Hanson boots are familiar to Japanese skiers, Pflueger to fishermen, and Ericson and S&S to yachtsmen. Housewives in Japan know and use such brands as Del Monte, Duskin, Johnson & Johnson, Cheer, Heinz, Tabasco, Sunkist, and many others. Children are as apt to brush their teeth with Colgate as with a Japanese brand.

Success of American brands in the Japanese market depends much on marketing strategy, adaptability of the product to Japanese tastes, and skill of the Japanese partner involved.

Q. What things should be kept in mind by anyone interested in entering the Japanese market?

A. There are several.

1) Research your intended market thoroughly. And do not leave that research strictly up to a Japanese research firm. Get highly involved in the project with a team of your people who can ask searching questions about what you want to do and about the results of any research project.

2) Make haste slowly. Map every move. Then be prepared to work 24 hours a day, seven days a week until your product or project is off the ground and rolling.

3) Select your Japanese partner with care, then take his advice seriously. Trust him until he shows reason for you not to. If you find you cannot trust your partner, you should terminate the relationship.

4) Remember that Japan is a vertical society with a definite pecking order. Find where your company fits in the commercial order of the field you have chosen.

5) Stick to it. Many foreigners come to Japan in hopes of quick sales and profit. We have a saying, "Three years on the rock." We like profit as well as the next person, but sometimes it takes longer in Japan. Do not get overly impatient. If you feel things are not going fast enough, have a long, quiet talk about it with your partner.

Q. What products and/or services are sogo shosha looking for?

A. We mentioned several fields that look promising. We are interested in products and services in any one of them. The very size of a sogo shosha precludes our handling low turnover, low profit items. However, if we see promise, we will suggest an alternative course of action to whomever approaches us with that proposal. We have set up some highly successful licensing operations in fashions, restaurant chains, and other fields, and we have been known to set up special subsidiaries to market especially promising products in Japan.

For further information on just what sogo shosha are and what they can do for you, send $2.00, check or money order, to the Sogo Shosha Committee at the address below. We will forward you our 16-page detailed pamphlet entitled "The Sogo Shosha: What They Are and How They Can Work for You."

Sogo Shosha Committee of the JFTC

World Trade Center Bldg., 6th Floor, 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo, 105 Japan

Chori Company, Ltd.	Kanematsu-Gosho Ltd.	Mitsubishi Corporation	Nissho-Iwai Co., Ltd.	Sumitomo Corporation
C. Itoh & Co., Ltd.	Kinsho-Mataichi Corporation	Mitsui & Co., Ltd.	Nozaki & Co., Ltd.	Toshoku Ltd.
Itoman & Co., Ltd.	Marubeni Corporation	Nichimen Co., Ltd.	Okura & Co., Ltd.	Toyo Menka Kaisha, Ltd.

The Ca

BC-1281P

BC-1283PV

BC-1215PV

LC-110PV

culators

BC-1282PV

BC-1284PV

BC-1285PC

BC-1014PV

TOSHIBA

the Calculator House

Toshiba America, Inc. Head Office: 280 Park Ave., New York, N.Y. 10017 Tel: 212-557-0200
Toshiba Hawaii, Inc. 327 Kamakee St., Honolulu, Hawaii 96814 Tel: 808-521-5377
Toshiba of Canada, Ltd. Toronto, Canada
Toshiba Europa G.m.b.H. Frankfurt, F.R. Germany
Toshiba Deutschland G.m.b.H. Neuss, F.R. Germany

NOMURA, A LEADING SECURITIES HOUSE IN JAPAN AND AN ACTIVE INTERNATIONAL FINANCIER, INVITES YOU TO THE ACTION CENTER...

Nomura, a leading securities house in Japan, offers complete financial services. Our long history of brokerage and underwriting – plus ever-growing, integrated financial services – can be a definite advantage.

We invite you to call on our extensive experience to help solve your financial needs. Just contact Nomura Headquarters in Tokyo or one of many worldwide Nomura offices located in major financial centers.

Efficient Nomura men will quickly make *you* the center of action.

International securities and investment banking

NOMURA

The Nomura Securities Co., Ltd.

NOMURA SECURITIES INTERNATIONAL, INC. Head Office: 100 Wall Street, New York, N.Y. 10005 Tel: (212) 483-9700
Los Angeles Office: 523 West Sixth Street, Los Angeles, California 90014 Tel: (213) 626-9301
San Francisco Office: Bank of America Center, Suite 4777, 555 California Street, San Francisco, California 94104 Tel: (415) 788-0700
Honolulu Office: 190 South King Street, Suite 2760, Honolulu, Hawaii 96813 Tel: (808) 538-3837
THE NOMURA SECURITIES CO., LTD. TOKYO HEAD OFFICE: 9-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo 103, Japan Tel: (03) 211-1811 Telex: J22392 Cable: NOMURASHIN TOKYO OVERSEAS OFFICES: Paris, Toronto SUBSIDIARIES and AFFILIATES: Amsterdam, London, Frankfurt, Geneva, Zurich, Hong Kong, Bangkok, Singapore, Kuala Lumpur, Manila, Jakarta, Sydney, Rio de Janeiro, Beirut

It takes some doing, but there are those who are making it in Japan's trillion dollar economy.

INTERDEPENDENCE —on the move in Japan

"Look at it this way," an American businessman recently remarked over drinks in a Japanese hotel, "you've got a vast, homogeneous market here of 115 million people with the highest literacy rate of any nation and a per capita income almost comparable to that of the U.S. Outside our own, it's the largest free market in the world."

The Japanese economy is indeed worth pursuing. And while many U.S. businessmen view this marketplace as impenetrable, there are those who are discovering that the rewards do justify the investment.

AMONG THOSE MAKING IT

Take Max Factor, for example, the largest foreign subsidiary of any American cosmetics firm. In recent years, with total sales of about $200 million, Max Factor has enjoyed a growth rate 15% higher than that of the Japanese cosmetics industry in general, in part because of its adaptation of the marketing strategies of the leading Japanese cosmetics firms, with franchise corners in major retail outlets and a completely Japanese distribution system. In such respects, the company is indistinguishable from a wholly Japanese enterprise.

Another U.S. manufacturer, the Borden Company, through its joint venture with Meiji Milk Products, began marketing the first sliced cheese ever sold in Japan. By 1977 it had captured 15% of the market. Another product, Lady Borden ice cream, was introduced in 1971. Currently, Meiji Borden is the second largest ice cream manufacturer in the country.

FAST RISE OF FAST FOODS

Since 1970, fast-food chains from the U.S. have greatly altered the dining habits of the Japanese. Government figures describe the combined potential of McDonald's, Kentucky Fried Chicken, Mister Donut, Dunkin' Donut, Shakey's and Denny's as a $34 billion market. Foremost has been McDonald's with an incredible 50% annual growth since its beginning in 1971. Unlike its franchise organization in the U.S., a directly owned outlet system was instituted to ensure quality service.

In the field of high technology, the success of IBM in Japan is legendary. It controls about a quarter of the Japanese computer market. Another success story is Texas Instruments. With superior technology, TI went into Japan to produce semiconductors in order to forestall Japanese manufacturers from dominating the market. And the strategy has paid off.

Avon is a good example of a company utilizing a marketing system in Japan unique to the U.S. A staff of over 50,000 "Avon ladies" are generating an estimated $50 million in sales. Schick combined forces with the Hattori Watch Company, manufacturers of the Seiko brand, and gained an overwhelming market share of 68% of the single-edge razor blade market and 74% of twin-blades. Sears has tied up with Seibu, Japan's second largest retailer, to expand the mail order business in Japan. Mindful of the differences in lifestyles, Sears has tailored its refrigerators to Japanese kitchens by developing a compact design without affecting the storage capacity.

AN INTEGRAL PART OF LIVING

Statistics reveal that, of the 200 largest U.S. companies in sales, 117 have subsidiaries or joint ventures in Japan in which their equity shares are 25% or more. It's not surprising that in recent years U.S. products have become an integral part of the daily lives of the Japanese. Western-style supermarkets and department stores celebrate week-long "American Fairs" with merchandise ranging from Texas beef to Black & Decker tool kits. The housewife shops for Kellogg cereals and U.S. strawberries, the conservative businessman looks for a Brooks Brothers' label and teenagers pick up copies of the "Saturday Night Fever" album at $19 a throw.

Recently, the Japanese government has made conscious efforts to increase imports from the United States, implementing tariff reductions, expanding import-financing arrangements, easing exchange controls and simplifying import regulations. The government is also trying to maintain maximum growth in GNP to stimulate demand and boost imports.

In the private sector, a group of private companies established the "World Import Mart" last October.

NEW STRATEGIES, RENEWED INVOLVEMENT

This flurry of recent activities in both the government and private sectors is resulting in stepped-up

Tokyo's "Fifth Avenue." Strollers enjoying a "no-car" Sunday along the Ginza, main shopping thoroughfare in Tokyo. Affluent families show new consumer orientation.

involvement by U.S. companies in the Japanese economy. Many of these firms are employing new strategies. For instance, to encourage sales of American-made subcompact cars in Japan, the big three American car companies are shifting distribution channels from dealerships to directly owned routes through their respective Japanese partners.

In other developments, Procter & Gamble recently attained 100% control of its subsidiary, Procter & Gamble Sunhome Company. PepsiCo is reviewing its total Japan strategy for marketing Pepsi Cola. It also tied up with Fujiya Confectionery in snack foods. Exxon will increase its involvement with General Sekiyu, a leading oil products distributor, and become the fourth largest force in Japan's oil industry. Other top-ranked U.S. corporations who increased their commitments in Japan include Dresser Industries, American Can, Celanese and General Electric. Arthur D. Little, Inc. of Cambridge, Mass. became the first American "think tank" in Japan last spring.

MOVING UP WITH THE YEN

Also in 1978, Eastman Kodak set up its own Japanese subsidiary. The company capitalized on the rise of the yen to reduce the prices of its film and thereby gain a larger share of the Japanese market. In industrial measuring instruments, Yamatake-Honeywell Company and Yokogawa-Hewlett-Packard both took advantage of the yen's climb to improve profitability. Among consumer-product manufacturers, firms like Estee Lauder and Yamazaki-Nabisco registered outstanding performances by using traditional Japanese distribution channels and adapting their products to Japanese tastes.

Last year, too, witnessed increased competition between U.S. and Japanese firms in the field of data processing. Honeywell, in setting up Honeywell Information Systems (Japan) with Mitsubishi Office Machinery, joined the five other major American manufacturers marketing computers in Japan. The others: Burroughs, Control Data, IBM, NCR and Univac. In consumer finance, an increasing number of American firms are forming subsidiaries in Japan. Leading U.S. companies include Avco, Beneficial and Household Finance.

MARKETS MUST BE WON

The long-standing belief that Japan is a market almost impossible to crack seems no longer entirely true. America's exporters are making substantial gains. What remains to be tested is the resolution of U.S. businessmen to capitalize on the situation—to be aggressive in winning markets in Japan.

That many American businessmen in the past found it difficult to gain a substantial foothold in Japan can be attributed to several factors. The most basic was a lack of experience and long-term commitment to develop export markets. The U.S. Department of Commerce estimates that of about 25,000 American companies that could export to Japan, only 2,500 do so. Moreover, just 200 companies account for 70% of all U.S. merchandise exported to Japan.

The successful U.S. firms marketing in Japan have investigated that country and its people with the same thoroughness that the Japanese have studied the U.S. marketplace.

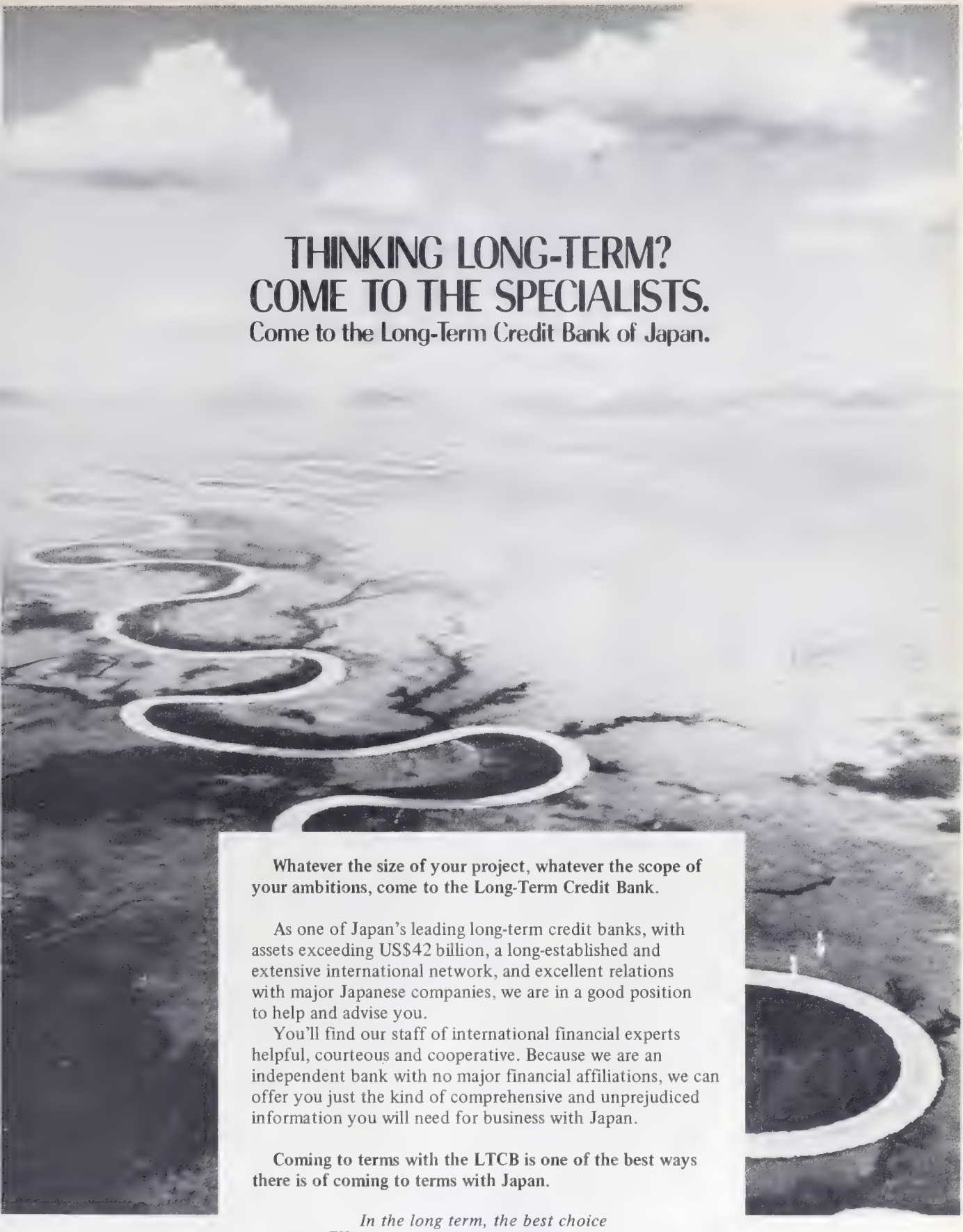
WHAT'S AHEAD IN THE 1980's?

These enterprising U.S. firms are now looking further to expand in Japan. Certain fields of export will be target areas. For example, American industry is the acknowledged world leader in high technology-intensive products. Hence, the market in Japan for U.S.-made aircraft, large computers, medical equipment, pharmaceuticals, and office machinery will continue to develop.

Similarly, American consumer products—fashion and leisure-oriented goods, packaged foods, toys and household items among others—have proven acceptance by Japanese consumers.

As discretionary incomes continue to rise in Japan, there will be a growing demand for new and better products and services. Frequently it is the foreign entrepreneur who best identifies voids and supplies the innovative. The phenomenal development of the fast-food industry in Japan is a good case in point.

The U.S.-Japan interdependence in trade is entering a whole new phase. What remains to be done is a carefully thought-out commitment towards a market strategy adapted to the Japanese environment. A number of U.S. companies are succeeding. Opportunities exist for many more.



THINKING LONG-TERM? COME TO THE SPECIALISTS.

Come to the Long-Term Credit Bank of Japan.

Whatever the size of your project, whatever the scope of your ambitions, come to the Long-Term Credit Bank.

As one of Japan's leading long-term credit banks, with assets exceeding US$42 billion, a long-established and extensive international network, and excellent relations with major Japanese companies, we are in a good position to help and advise you.

You'll find our staff of international financial experts helpful, courteous and cooperative. Because we are an independent bank with no major financial affiliations, we can offer you just the kind of comprehensive and unprejudiced information you will need for business with Japan.

Coming to terms with the LTCB is one of the best ways there is of coming to terms with Japan.

In the long term, the best choice

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

Head Office: Otemachi, Tokyo, Japan Tel: 211-5111 Telex: J24308 **New York Branch:** 140 Broadway, New York, N.Y. 10005, U.S.A. Tel: 797-1170 Telex: 425722 **London Branch:** 3 Lombard Street, London EC3V 9AH, U.K. Tel: 623-9511 Telex: 885305
Los Angeles Agency: 707 Wilshire Boulevard, Los Angeles, California 90017, U.S.A. Tel: 488-1766 Telex: 673558
Amsterdam, Sydney, São Paulo, Singapore, Frankfurt, Paris, Toronto, Hong Kong, Brussels

Proof of Progress 1978

Once again, Nikko's financial statement provides proof of progress and successful management policy. Income before extraordinary items was US$353 million (¥66,800 million) (up 36%), the highest since Nikko's founding. And despite the fluctuating yen-dollar rates, net income was up a full 35%, reaching US$172 million (¥32,600 million); and net income per share increased to ¥40.42.

Success for our sixtieth year and for the future is reflected in the increase of stockholder's equity, now US$876 million (¥165,900 million). The demonstrable progress made in 1978 resulted in increased cash dividends (to ¥7. per share, including 60th anniversary ¥1. dividend).

For Nikko and its clients, 1978 was indeed a very good year.

Statement of Income

Years ended September 30

	US dollar in Millions 1978	1977
Revenues		
Commissions	**US$629.12**	US$483.74
Interest and dividend income	**81.25**	78.90
Profit on sale of securities	**90.64**	100.23
Gross revenue	**801.01**	662.87
Operating Expenses		
Selling, general & administrative expenses	**435.62**	391.08
Interest expenses	**14.45**	13.83
Gross operating expenses	**450.07**	404.91
Operating Income	**350.94**	257.96
Non-operating income (expenses)	**4.28(2.65)**	2.77(1.34)
Income before extraordinary items	**352.58**	259.38
Extraordinary gains (losses)	**(14.83)**	3.88
Net income before income taxes	**337.76**	263.26
Provision for income taxes	**165.68**	135.43
Net income	**172.08**	127.83

Balance Sheet Data

As of September 30

	US dollar in Millions 1978	1977
Assets		
Current Assets		
Cash on hand and in banks	**US$239.38**	US$206.85
Short-term loans	**265.98**	132.12
Securities owned	**374.00**	327.23
Securities held as collateral	**750.53**	528.54
Other current assets	**658.73**	646.95
Total current assets	**2,288.62**	1,841.69
Fixed Assets	**233.89**	233.75
Total Assets	**2,522.51**	2,075.44
Liabilities & Stockholders' Equity		
Liabilities		
Current liabilities	**1,521.68**	1,226.02
Long-term liabilities	**74.27**	69.33
Reserves	**50.65**	49.92
Total liabilities	**1,646.60**	1,345.27
Stockholders' Equity		
Common stock	**212.85**	212.85
Capital surplus	**54.59**	54.59
Earned surplus	**436.39**	334.90
Other stockholders' equity	**172.08**	127.83
Total stockholders' equity	**875.91**	730.17
Total liabilities and stockholders' equity	**2,522.51**	2,075.44

Note: (1) These statements are non-consolidated. (2) Exchange rate: **189.40** per dollar (inter-bank market rate in Tokyo as of September 30, 1978).

An integrated approach to investment and finance

NIKKO
THE NIKKO GROUP

Head Office: 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan Tel.: 283-2211 Telex: J22410 Cable: NIKOSE TOKYO
Overseas Representative Offices: Paris, Beirut
Overseas Subsidiaries: The Nikko Securities Co. International, Inc.: New York, San Francisco, Los Angeles **The Nikko Securities Co., (Europe) Ltd.:** London **The Nikko (Switzerland) Finance Co., Ltd.:** Zurich **The Nikko Securities Co., (Deutschland) GmbH:** Frankfurt am Main **The Nikko (Luxembourg) S.A.:** Luxembourg **The Nikko Securities Co. (Asia) Limited:** Hong Kong **Nikko do Brasil Limitada:** São Paulo **Oceania Capital Corporation Limited:** Sydney

Japanese companies' $995 million worth of manufacturing plants in the United States are paying benefits to both countries.

INTERDEPENDENCE Comes Home

Ten years ago the idea of a sizable Japanese manufacturing presence in the United States would have been dismissed as too bizarre even to think about. Even five years ago it would have sounded strange.

Today it is fast approaching reality. At last count some 300 Japanese firms had put $995 million of direct investment money into 532 U.S. manufacturing projects. (The figure is considerably higher when reinvested funds are included.) If present trends continue the United States could rival Southeast Asia as an outlet for Japanese manufacturing investment.

Equally significant is the fact that, after a late start, Japan probably will soon overtake West Germany and the United Kingdom to become the world's second largest overseas direct investor, after the United States itself.

Why should the traditionally cautious and stay-at-home Japanese want to venture directly into the citadel of Western manufacturing power and progress? Partly it is the same concern that drives most direct investors: if you don't get in quickly your competitors will. While cautious, the Japanese have always been extremely sensitive to what others are doing. The sight of large European combines moving steadily to establish U.S. manufacturing bases is clearly having its effect. And in many fields, if only one Japanese firm moves almost all the others will move, too.

THE REMORSELESS YEN

On top of this is the economic attraction in U.S.-located production as the yen moves remorselessly up against the dollar. When the dollar was worth 220 to 230 yen, many manufacturers had already calculated that production costs in the U.S. were no higher than in Japan, even allowing for the expense of transferring abroad. With the dollar below the 200-yen level, some inevitably want to turn these calculations into reality.

The major psychological boost for investing abroad, however, has been Japan's trade surplus and the realization that any long-term solution to it will require some shift in production out of Japan. For commodities at the mature stage of the product cycle—like television sets and automobiles—such thinking makes a lot of sense. The production technology is already established and known, so there is little technological risk in moving abroad. On the other hand failure to move could easily lead to loss of an important overseas market.

Not surprisingly, therefore, it is in these areas that most of the Japan-U.S. investment action is now occurring. Most of Japan's large television makers have either tied up with U.S. makers in joint production facilities or moved to establish their own. Other appliance makers are also beginning to establish themselves. One large automobile maker has begun preparations for two-wheel vehicle manufacture and is expected to expand this later to four-wheel vehicles. Other car makers are known to be studying the U.S. market closely.

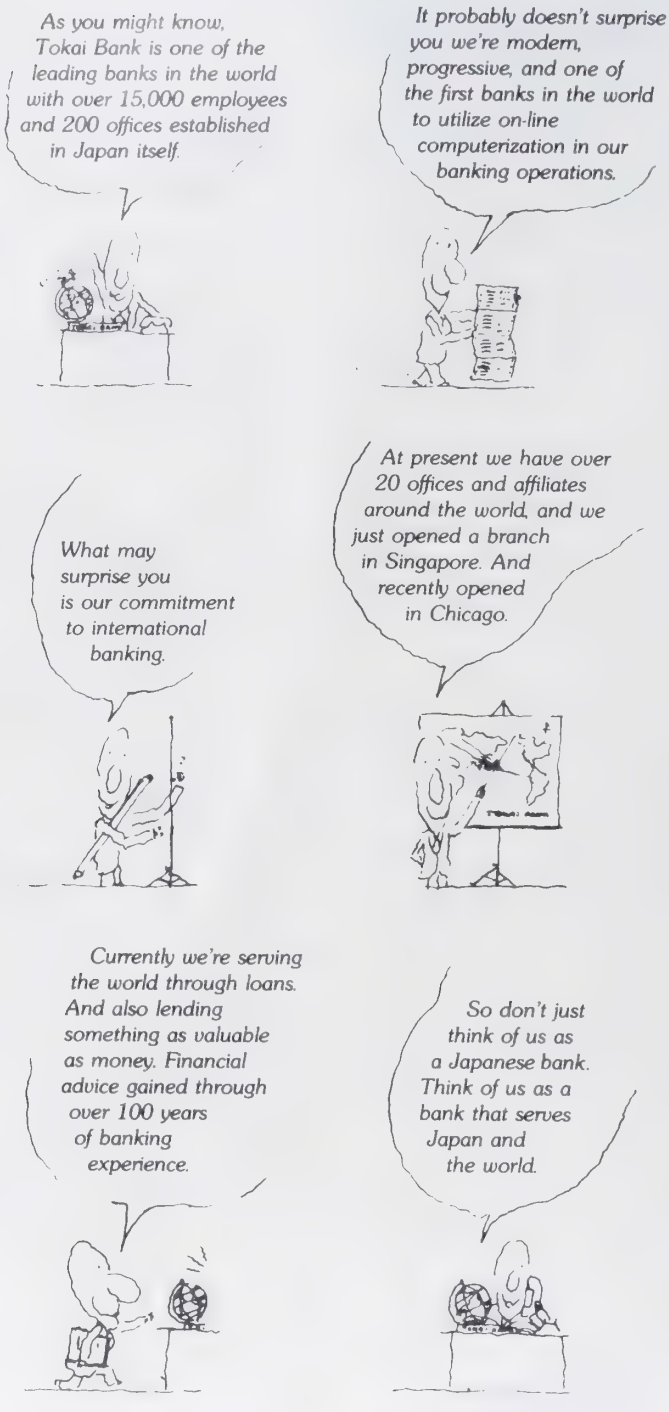
As a result the manufacturing share in Japan's total direct investment in the U.S. had jumped by 1977 to almost 21% (trading investments have traditionally made up the bulk of total investment).

SOY SAUCE TO SAWMILLS

Meanwhile, of course, other investors continue to launch projects which cover everything from making soy sauce and Japanese noodles to large scale processing of U.S. timber and agricultural exports. Indeed, some $500 million of Japanese direct investment money has already found its way into the development of minerals, timber and food for export to Japan. A major role has been played here by Japan's *sogo shosha*—general trading companies—with their consistent philosophy of securing and consolidating reliable supply sources.

Underlying this investment surge is the fact that many Japanese manufacturers are now surprisingly familiar with, and quite unintimidated by, the differing operating conditions in the United States. A recent survey comparing investment attitudes towards the U.S., Western Europe and the developing countries showed that while Japanese investors realized the intense competitiveness of the U.S. market they were impressed by its size, tolerance to foreign capital, the availability of ancillary goods, services and finances; and the quality of labor. Most commented that while labor unions were strong in the U.S., they were also moderate. Many noted the simplicity and "rationality" of the U.S. distribution system, with the producer and consumer brought into direct contact. Obviously, many were comparing it with the far more complex system they had to live with in Japan.

A few words about Tokai Bank's expanding international operations.


As you might know, Tokai Bank is one of the leading banks in the world with over 15,000 employees and 200 offices established in Japan itself.
It probably doesn't surprise you we're modern, progressive, and one of the first banks in the world to utilize on-line computerization in our banking operations.
What may surprise you is our commitment to international banking.
At present we have over 20 offices and affiliates around the world, and we just opened a branch in Singapore. And recently opened in Chicago.
Currently we're serving the world through loans. And also lending something as valuable as money. Financial advice gained through over 100 years of banking experience.
So don't just think of us as a Japanese bank. Think of us as a bank that serves Japan and the world.

TOKAI BANK

Head Office: 21-24, Nishiki 3-chome, Naka-ku, Nagoya. Tel.: 052-211-1111 **Overseas Network:** (Branches & Agencies) New York, Los Angeles, London, Frankfurt, Singapore; (Representative Offices) Toronto, Chicago, Mexico City, São Paulo, Paris, Tehran, Sydney & Jakarta; (Subsidiaries) Tokai Bank of California, Tokai Bank Nederland N.V., Tokai Asia Limited; (Affiliates & Associates) London, Paris, Bangkok, Hong Kong & Sydney

ATTRACTIVE INDUCEMENTS

Another attraction is the inducement many U.S. states are prepared to offer the foreign investor. Large Japanese investors find themselves approached with offers for feasibility studies, technical aid, and so on Only the most negative of investors could fail to be impressed by such attention, particularly when the problems and difficulties of finding new factory sites in Japan are considered.

Obviously it will be some time before the success of this investment can be judged. Indeed, given the overall Japanese investment philosophy—building for the general future prosperity of the corporate family rather than constant attention to the bottom line—it is hard to define just what is success. Japanese manufacturing investment abroad has sometimes been defined as "defensive"—it's usually motivated more by market considerations than a more aggressive desire to exploit a technology abroad. It sees its rewards more in terms of holding or expanding a market position than in high dividends. In fact, the dividend return on Japanese manufacturing investments abroad averages only half that of U.S. investments overseas.

This relative lack of concern for high return also helps to explain the high proportion of Japanese overseas investment in the form of joint ventures. The more aggressive Western investor is usually more reluctant to share the profits of his technology with locals.

TWOFOLD GAIN

For the U.S., of course, the gain from Japanese manufacturing investment is twofold—more jobs and less imports. True, to the extent Japanese investment is defensive it tends to concentrate initially on assembly operations. And many have pointed to the high proportion of Japanese staff in overseas operations. But both could be fairly temporary factors. They represent a rather natural response to the pressure of having to operate in a foreign environment

All those looking for a better First Class service can now rest assured.

JAL's first class is first class service the way you have dreamed it should be.

Consider our new and exclusive Sky Sleeper Service. Sky Sleeper is a big, comfortable bed in the sky. The service is available for an additional charge* on our specially fitted 747 Garden Jets that fly across the Pacific.

There's more. There are French, German and American wines and continental cuisine and Japanese delicacies that look as good as they taste. And a hostess in kimono whose courtesy and hospitality make you feel as if you're in Japan already. Welcome to JAL's first class—first in its class.

*$90 Honolulu—Tokyo
$120 San Francisco or Los Angeles—Tokyo
C$130 Vancouver—Tokyo

We never forget how important you are.

JAPAN AIR LINES

BIG NEWS FROM THE LATEST WORD IN COPIERS.

Invent a better copier, and the world will beat a path to your doorstep. Even if your name isn't exactly a household word.

That's what the industry told us. And that's what we did. Tapped the full resources of our research and development center to create the biggest news in copiers today. The Mita MC-20.

It's no accident that Mita solved copier problems other companies couldn't. From the beginning, way back in 1934, we've devoted all our efforts to basic research on copying technology. Copiers, you see, are our only business. A business we understand so well, Mita copiers are used in more than 100 countries.

Why, then, haven't you heard of us?

Maybe it's because you're just beginning to look around for a better copier. A logical alternative to the big names you have heard of.

And maybe it's because we've been spending our money on technology, not advertising. So when we introduce a new copier like the MC-20, it's a copier that really makes news.

Read All About It!

Here's the scoop on the MC-20.

First, it works. And keeps on working. It's a plain paper copier designed to give you the low maintenance of electrostatic copiers. One that will keep your service calls to a minimum.

Next, it gets rid of dual element toners. No mixing. No draining. No changing. The MC-20 uses a single element dry toner that's clean, simple, and efficient. When it's all used up, you just add more.

The MC-20 gives you consistent copy quality. Copies with dramatic, solid blacks. Clean, crisp whites. Excellent fine line and halftone reproduction.

And we even developed a special cold pressure fusing system that needs no warm-up time, so the MC-20 makes copies at the flip of a switch. You save electricity, too.

To keep your copier lines whittled down to size, the MC-20 delivers 20 copies per minute.

And to keep your copies coming, the MC-20 paper travel path is virtually a straight line. That means less chance of jamming.

Now For the Good News.

You can see why the Mita MC-20 is big news.

Here's why it's good news. It costs a lot less than you'd think. And it keeps costs down, because it cuts down on downtime.

Best of all, it's news from a reliable source. Mita. We're big enough to sell copiers all over the world, but we're small enough to care about every copier we sell. And back our customers with service, 100%.

Why not get the whole story. Write Mita Copystar America, Inc., 158 River Road, Clifton, New Jersey 07014.

And you'll see why the latest word in copiers is a word you'll be hearing. More and more.

MITA COPYSTAR

and to that extent tend naturally to solve themselves with time. The Japanese businessman is no less susceptible than any other to the argument that the locally hired employee or locally acquired component or employee is likely in the long run to be a lot cheaper than the one brought in from abroad.

In one sense the high initial dependence on the parent company for staff and components is often inevitable. Japanese investors abroad do not bring a scientific skill so much as a know-how in a particular production process. Transmitting that know-how means initially relying on the components on which it is based. And particularly with the Japanese, it requires the men who have actually handled the process in the parent company to be on the spot abroad to communicate it directly and in person to those below them. The Japanese have never really acquired the American genius for committing production know-how to paper in the form of easily read guidance manuals. They see it as something you "attach to your body" *(mi ni tsukeru)* and which, presumably, you also communicate with your body.

SOCIAL DIVIDENDS

But while monetary dividends may be low at this stage the social dividends of Japanese manufacturing investment in the U.S. are already apparent and they could be of very considerable value to both parties. Even more than kabuki groups, college football teams, visiting scholars, direct investment abroad means men and women operating directly at the cultural interface. Faults and virtues are fully exposed, and in the case of Japanese investment it would be less than true to deny that at first many expected more of the former than the latter. "Take the Japanese manager away from his cooperative, compliant Japanese worker, and you have a different ball game"—that summed up the general feeling at the time.

It has not worked out that way, and looking for the reasons has thrown a

WHEN THE TWAIN MEET...

What impact do Japanese business organizations have on a metropolitan area like New York?

Some answers are found in a 1978 study conducted for the Japan Society by Conservation of Human Resources, Columbia University.

Japanese corporations in metropolitan New York, the study says, generate revenues of over $811 million a year. Most of these funds—over $758 million—are expended directly by the Japanese corporations. Another $51 million comes from visitors from Japan, and an additional $2 million to the Port Authority for handling goods from Japan.

That $810 million is seven times greater than the revenues of the New York theater industry; and the total employment generated is nearly three times that provided by the entire international diplomatic community in New York.

In 1976 there were 436 Japanese corporations with 11,383 employees in the New York area, earning an average salary of $24,000. Of the 11,383 employees, only 3,657 were from Japan; the other 7,726 were local. In other words, for every Japanese worker employed by a Japanese firm in New York, 2.1 local residents are provided jobs. Furthermore, says the study, research suggests that the multiplier for employment in metropolitan areas ranges between four and five. Thus the jobs directly traced to Japanese companies probably support more than 50,000 local workers overall.

In addition, the study says:

—Salaries and wages expended by Japanese firms in New York total over $274 million.

—The 3,657 Japanese employees support 7,262 dependents in the New York area. Altogether, these families probably spend well over $88 million annually.

—Japanese firms occupy nearly 4.8 million square feet of commercial space in the New York area at a total cost of nearly $33.9 million.

—Japanese companies spend more than $328 million a year on advertising, legal, accounting, financial and other services in New York.

—Japanese corporations pay an estimated $95 million annually in taxes, including $77 million to the federal government, $10 million to New York City and $5.8 million to New York State.

—The presence of Japanese firms inspires tourism; an estimated 162,000 Japanese visit New York annually, spending an estimated $51 million in lodging, meals, gifts, entertainment, transportation, etc.

Summary of Direct Economic Impact of the Japanese Business Community in New York

		Amount (in millions of dollars)
Expenditures by Japanese Corporations		
Payrolls	$274.0	
Fringe Benefits	27.0	
Taxes	94.6	
Space Costs	33.9	
Business Services	99.2	
Bank Fees and Interests	229.5	$758.2
Expenditures by Japanese Visitors		
Hotels	24.9	
All Others	26.3	51.2
Expenditures to Port Authority		2.1
Grand Total		**$811.5**

(Source: The Economic Impact of the Japanese Business Community in New York 1978—Japan Society, Inc.)

The Hotel with a garden in the sky.

High above the street, sound and sights are muted. Winds brush against ginkgo and pine. Japanese accents that make the New Otani a garden of calm in the heart of Los Angeles' downtown civic center.

Dining and wining is a multi-national experience, including the best of 5 nations and 3 continents. A stunning new conference center is available for conventions and seminars, and a superbly trained staff is there to serve the international executive.

Los Angeles

The New Otani Hotel & Garden, Los Angeles

TOKYO

Hotel New Otani Tokyo

The Hotel with a 400-year-old Japanese garden.

Situated comfortably on a gently sloping hill, amid ten acres of traditional Japanese gardens, the New Otani is beautifully removed from the hustle and bustle pace of Tokyo. And yet being one of the most complete hotels in Asia – no hotel in Tokyo can offer more.

There's sport facilities, glamorous shopping arcades, special rooms for executives and 32 luxurious restaurants and bars including Asia's only Trader Vic's.

The Hotel on its own white sandy beach.

The Kaimana Beach Hotel is positioned in one of the finest sunning and swimming areas of Waikiki near Diamond Head. Close enough from the bustling center of Waikiki, removed enough to enjoy the serenity of a quiet location.

Rooms are comfortable and spacious and can be rented with kitchen facilities for long vacations. You can eat Japanese cuisine or Hawaiian food or for big events dine in the quarter million dollar Imperial Dining Room.

HAWAII

The New Otani Kaimana Beach Hotel, Honolulu

The New Otani

YOUR NATURAL CHOICE

U.S.A. Toll Free: (800) 421-8795

California Toll Free: (800) 252-0197, Los Angeles: (213) 629-1200, Hawaii: (808) 923-1555

great deal of new and unexpected light on both the U.S. and the Japanese psychology. The first surprise has been the ease, almost wilingness, with which the U.S. worker has responded to Japan's family-style managment techniques. We are discovering that it is not just the Japanese worker who likes the company to provide welfare and recreation facilities; factory managers who bring flowers to hospitalized workers are also welcome in the United States.

TWOFOLD LEARNING

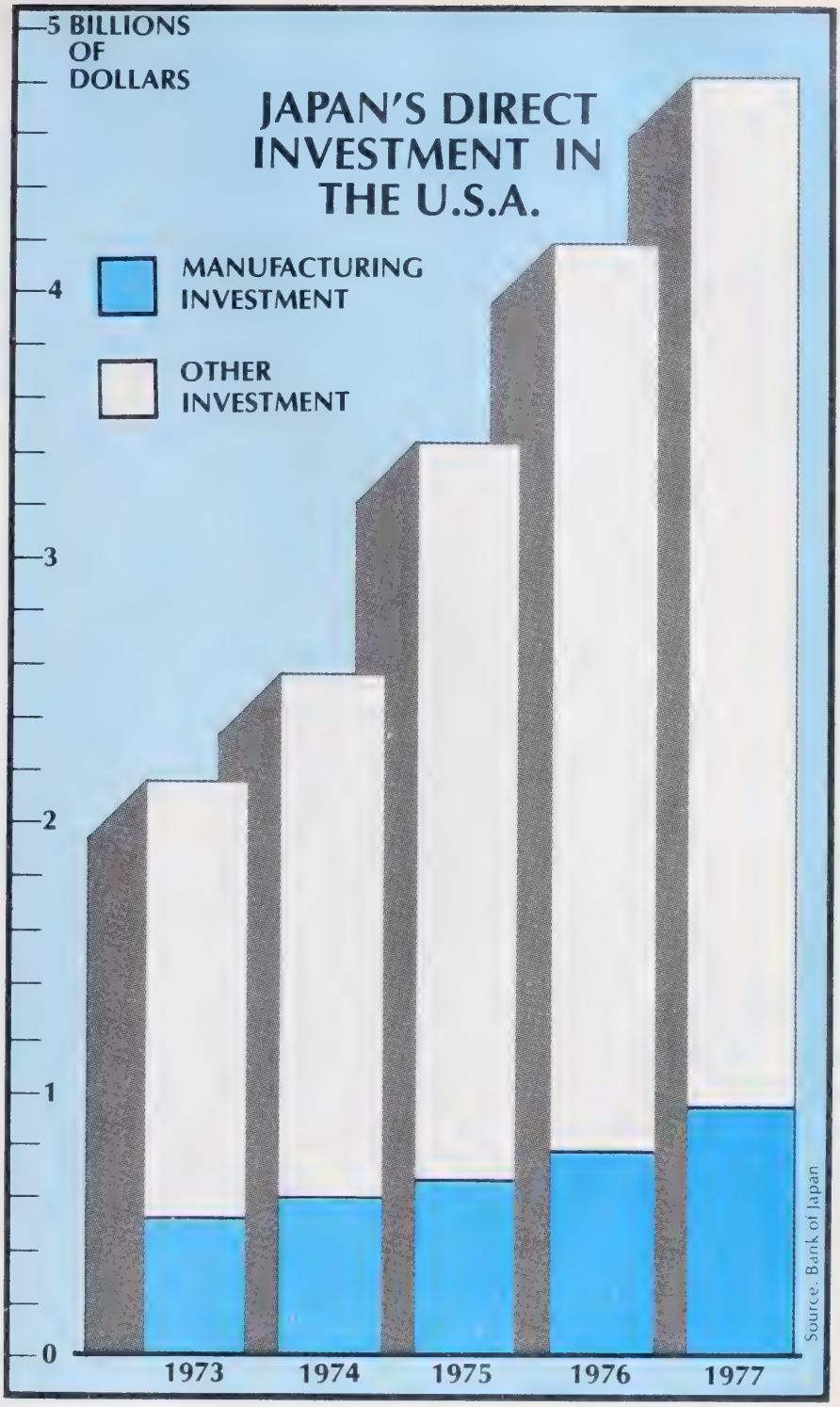
True, firms which have succeeded best with the cradle-to-grave approach have usually been involved in smaller projects, often concentrated in the southern U.S. Both factors work to allow the more personal Japanese style of management to operate more effectively. But this should not detract from the merits of such management. Significantly two of America's largest and most successful companies, IBM and Texas Instruments, make no secret of their efforts to instill and preserve Japanese-style company loyalty in their employees. And while their techniques differ somewhat, it is not unlikely that they may have been affected by the Japanese example in their midst.

But the biggest surprise is that the learning process is also working in reverse. Japanese investors with large, and in some cases strongly unionized, labor forces on their payroll have clearly decided they should adapt to the "dryer"—more contractual and less personal—U.S. management style rather than to try to introduce Japanese techniques. Some have actually been impressed enough by the merits of the U.S. system to try to introduce some of its aspects into their Japanese factories. So far, such examples have been confined to the more international-minded of the Japanese investors. But they are significant in any event.

VIRTUES OF CONSISTENCY

Indeed, a good argument could be made that it is not so much the nature of the Japanese management philosophy that explains the success of Japanese investment in advanced economies such as the U.S. as the fact that a philosophy exists. Each member of a Japanese company is educated in uniform and consistent standards of management; Japanese managers in overseas projects may change but the techniques do not.

In the more individualistic West the techniques often depend as much on the individual as the company, and his future depends on their success. It can produce both highs and lows of management excellence but it almost always produces trauma whenever any major management changeover occurs. Perhaps it is in making us remember the advantages of consistency and determination that the Japanese investment push in the U.S. should be most appreciated.



Daiwa offers investment opportunities in the Tokyo capital market.

DAIWA SECURITIES CO. LTD.

Tokyo Head Office: 6-4, Otemachi 2-chome, Chiyoda-ku, Tokyo 100, Japan Tel: 243-2301 Telex: J22411

DAIWA SECURITIES AMERICA INC.

Head Office: One Liberty Plaza, 91 Liberty Street, New York, N.Y. 10006, U.S.A. Tel: 212-732-6600 Telex: 420971
Los Angeles Office: 555 South Flower St., Suite 4477, Los Angeles, California 90071, U.S.A. Tel: 213-628-0201 Telex: 0674470

SAO PAULO OFFICE

Rua Libero Badaro 377, 12 And. Conj. 1202 São Paulo, Brazil Tel: 35-8700 Telex: 1123950

Other Offices and Subsidiaries: Amsterdam, London, Frankfurt, Paris, Geneva, Hong Kong, Singapore

The many worlds of RCA

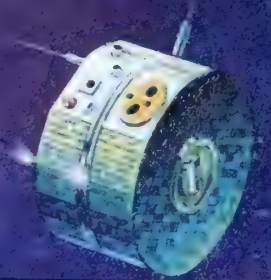
With the first airborne color weather radar, even rain clouds have a silver lining for RCA.

Until last year, monochromatic radar was the best way pilots could keep tabs on long distance weather. But then, RCA brought out Primus ColoRadar, the world's first airborne color weather radar systems.

The Primus systems incorporate technology RCA pioneered in color TV. The full-color display shows each moisture level in a different color. The maximum resolution currently available on digital radar and a 300-mile range enable pilots to make faster, more accurate weather evaluations.

The rapid sales growth of the Primus ColoRadar systems has contributed to a new earnings record for the RCA Commercial Communications Systems Division. And the Primus systems command a strong market as the first available systems of their kind.

From aviation electronics to Random House Books, from solid state components to weather satellites, RCA is dedicated to innovation, ality and steady growth. ©1978 RCA Corporation



Honda cooperation spans a broad spectrum of activities. As a responsible member of world society, working with the peoples of many lands to achieve mutual prosperity finds Honda involved in far more than merely manufacturing quality products. Honda imports into Japan an ever-widening range of commodities from many nations to promote balanced two-way trade. Thirty-five Honda production plants in 30 countries, another result of mutual cooperation, stimulate local economies by creating new jobs and business for local industries. Honda, as one of its many public service activities, contributes extensively to the improvement of traffic safety worldwide through driver education programs. Honda research and development strive to answer the aspirations and needs of society by providing the original technology and innovative products necessary to make life easier and happier.

Today's Honda—totally committed to mutual progress.

The Global Family

HONDA

Honda believes cooperation is a key that opens the door to mutual prosperit

tting along with the owner was Holliday's ost visible skill when the company went blic in 1972. But once on his own he owed what he was worth.

A pair of survivors

When Teng Hsiao-ping stopped off in Houston on his way home, he met another durable ivor, Raymond Holliday, 64, CEO of hes Tool Co. Teng survived purges; iday survived Howard Hughes. The were not complete strangers. hes Tool got one of the first con- s with the Chinese in 1973, after the n-Mao meetings. It has already sold Chinese about $50 million worth of rilling equipment and expects to do a deal more.

olliday is set to retire this year in a e of glory, after six years as head of company. Last year earnings were up to $69.6 million on $659 million , and return on stockholders' equity over 21%. In those six years, sales increased nearly sevenfold, while year's net equaled 1972's gross.

quiet man, Holliday began in 1938 as ccountant for Hughes Tool, worked up to the inner circle of Hughes associates and then spent 13 years as Howard Hughes' chief lieutenant.

When Hughes sold the company in a public offering for $150 million, Holliday cut his ties with Hughes himself and stayed with the company. He still keeps a picture of Hughes in his office, but he's not all that nostalgic for the old days. "Working for Mr. Hughes," says Holliday, "well, everything was a secret unless you were expressly told otherwise. . . . I think I shifted gears rapidly—and happily."

Holliday did not have an easy time after Hughes Tool went public. First he had to modernize the plant, which according to one observer, "looked like a 19th century blacksmith's shop." Howard Hughes preferred to pocket his cash (some $500 million over the years) for his other ventures.

The company nearly drowned in modernization in 1976, when a new electron beam welding device caused a production jam that cut earnings by almost 10%. Worse yet, Holliday blew it with Wall Street when, just one week before the company announced that 1976 third quarter earnings were 52 cents, Holliday told a group of analysts that they would top the previous year's 80 cents.

To make matters worse, Hughes was hit with a five-week strike in 1977. A group of young workers with the United Steel Workers held out for a better contract. Earnings that year were up less than 9% to $3.25 per share, less than they had been in 1975.

But Holliday handled a hard job well. In 1972, Hughes was still pretty much a one-product company—oil drilling bits. Other drill bit manufacturers like Smith and Reed Tool (now a part of Baker International) were cutting into its melon. In 1974, Holliday bought Byron Jackson, an oil well servicing company, from Borg-Warner for $46 million in stock. BJ services old wells as well as new—so it is less dependent on new drilling. Since it was bought, BJ has contributed a total of $647 million in sales and $65 million in net income.

Last September, Hughes paid $40 million for Brown Oil Tools, a $50 million (revenues) company which will add other kinds of drilling and servicing tools. Holliday has invested over $365 million in equipment, working capital and plant modernization and more than $100 million in stock for the acquisitions. Although Hughes didn't reinvest money in his company, he didn't borrow any either. In 1972, the company had no debt, so Holliday had no problem borrowing to rebuild. Even now, the company's debt-to-equity ratio is only 20%.

The industry is coming off one of the best years ever for U.S. drilling, with the number of working rigs up 12.7% over 1977. And Hughes' economist, Isaac Kerridge, says that drilling in 1979 should be up 5% over last year.

Wall Street is still lukewarm toward Hughes. The stock now sells for around 43, up 25% over last year. John Walker, a financial analyst for Paine Webber Mitchell Hutchins, estimates earnings for 1979 at $6 per share—up from $4.88 in 1978. If he is right Hughes' P/E is 7—at the low end for an oil drilling outfit.

James Lesch, Hughes' 54-year-old president and probable successor to Holliday, is aiming for a wider geographical spread for Hughes' earnings. Hughes still has a market share of 45% to 50% in the U.S. drilling bit industry, but Lesch looks to output from its Singapore and Mexican plants to provide an even bigger edge in the Far East and Latin America.

So, like Teng, Holliday came through hard times and landed on his feet. The communist and the capitalist have a certain amount in common. ■

from BJ-Hughes pumping sand into old wells
purchase of BJ gave Hughes new customers in older oilfields.

Perhaps a U.S. accounting rule should rank with Arab oil and Japanese TV sets as reasons for the crippled dollar.

Are there gnomes in Connecticut?

ARE THE GNOMES of Zurich really just a bunch of American accountants? Is the weakness of the U.S. dollar at least partly attributable to an asinine accounting rule? George S. Weissman thinks it could be so—and he's very disturbed about it. Weissman, 59, is the savvy accountant and former public relations man who recently moved into the top job at New York's fabulously successful Philip Morris, Inc. This company, whose sales have grown from just over $1 billion to more than $6 billion in a single decade, operates all over the world. It is, therefore, no stranger to currency fluctuations. Listen to George Weissman on the problem of the plunging dollar:

"The key is that since FASB 8 (*i.e.*, Financial Accounting Standards Board Rule 8), there has been an awful lot of unnecessary trading in foreign currencies." Unnecessary? "Well, necessary to hedge your company's foreign position so your shareholders don't get slaughtered on foreign exchange translations—but *unnecessary* in terms of the nation's interests."

Weissman turns the floor over to Hans G. Storr, 47, PM's refreshingly candid and articulate chief financial officer. According to Storr, FASB 8 has encouraged U.S. multinationals like PM to borrow dollars to buy strong currencies and repay the strong currency loans. "In doing this," says Storr, "FASB 8 has definitely put pressure on the dollar in the international money markets. . . . In hindsight it is clear that this has been detrimental to the dollar."

How can an innocent-looking accounting rule help cripple the once-almighty dollar? Please bear with us through some simple arithmetic:

Suppose a U.S. company's Frankfurt subsidiary has borrowed $100 million in deutsche marks, which the company borrowed to finance $100 million in Frankfurt-warehoused inventories. If the deutsche mark climbs 10% against the dollar, it will take $110 million to repay that loan. Accountants agree the company should convert (or "translate") its liabilities at *current* foreign exchange rates to reflect such increases in liabilities. In this example, the deutsche mark debt is written up by $10 million, to $110 million. Fair enough—so far. The company used the deutsche marks, remember, to increase inventories. These, too, presumably are worth more in dollars. So you lose on what you owe but you gain on what you own. A wash. So in our example, a $10 million writeup of debt would be exactly offset by a $10 million writeup in inventories. (In the case of weak currencies, the results are opposite: Liabilities and assets *fall* together.)

"FASB 8 has definitely put pressure on the dollar in the international money markets. . . . In hindsight it is clear that this has been detrimental to the dollar."

Enter, in October 1975, the villain: FASB 8. It ordered companies to translate foreign liabilities at current exchange rates, but made them convert a huge hunk of their assets, their foreign inventories, at *historic* rates, the rates in effect when the inventories were acquired. The FASB probably thought it was being conservative. In fact it was being ridiculous. As a result of FASB 8, you still have to increase your liabilities by $10 million in the example above, but you don't get to write up your inventories by a like amount. FASB 8 broke new theoretical ground by requiring companies to deduct such foreign currency translation "losses" from (or add such "gains" to) operating income—*despite* the fact that these gains and losses were not and probably never would be realized. You don't have to be an accountant to realize that this is funny money. It is kind of like saying a man is going bro because he has incurred a big debt wit out also telling that he bought a valuab new house with the proceeds of the loa

What does all this abstract theory ha to do with the real-world flight from t dollar?

"What was greatly overlooked by t FASB and Securities & Exchange Co mission when FASB 8 was being consi ered," resumes PM's Storr, "was th corporations wouldn't just sit on t sidelines and watch their earnings det riorate because of a change in accounti rules. Instead they went out and began *rebalance* their foreign assets and liabi ties. They began to rematch their cu rently translatable assets with their cu rently translatable liabilities."

How do you do that?

"What we did first was reduce stron currency liabilities by repaying stron currency denominated debts, going i stead into dollar-denominated debt," r plies Storr. PM alone has repaid ov $125 million in strong-currency de since FASB 8 hit the books—over $ million in deutsche mark loans alone.

And you don't have to be a forei exchange expert to see what this does: increases the *supply* of dollars and i creases the *demand* for deutsche mar because you have to use dollars to bu deutsche marks to pay off the DM del You help the DM rise and the dollar fa Not because you are trying to get rich c currency speculation but because you a trying to protect your stockholders fro the shock of a reported earnings decli when none exists.

Alas, Hans Storr isn't finished:

Borrowing dollars to repay stron currency liabilities is only one way reduce the foreign exchange exposu created by FASB 8. Another way is match your foreign currency liabiliti with foreign assets that are current translatable." Remember, says Storr: I ventories are *not* convertible at curre exchange rates. But such assets as ca and marketable securities are.

Back to our hypothetical Frankfu subsidiary: Under FASB 8 the $10 mi lion deutsche mark debt writeup wou be offset if the subsidiary held $100 mi lion in deutsche mark-denominat bonds, cash or equities. So U.S. multin tional companies like PM are "laggin or slowing down their dividend remi tance from strong-currency countrie This has the same deleterious effect c the dollar that borrowing dollars to rep deutsche mark loans has: It helps ke deutsche marks in Germany, and out international circulation.

Of course, a company can alwa hedge its foreign exposure by buying fo ward market contracts. Unfortunatel this entails *real cash* costs in the form commissions and in the form of pote tially *realized* losses if the contract go

Reliance Group...
1978...Our Best Year Ever!

ar Ended December 31	1978	1977
evenues	**$1,239,575,000**	$1,117,397,000
perating income from continuing operations before income taxes and minority interests	**$ 138,685,000**	$ 101,439,000
ovision for income taxes	**(36,043,000)**	(33,807,000)
inority interests	**(10,573,000)**	(9,917,000)
perating income from continuing operations	**92,069,000**	57,715,000
et realized gain on insurance investments	**8,985,000**	4,008,000
come from continuing operations	**101,054,000**	61,723,000
iscontinued operations	**(1,078,000)**	(3,098,000)
come before extraordinary income	**99,976,000**	58,625,000
traordinary income	**2,848,000**	23,667,000
et income	**$ 102,824,000**	$ 82,292,000
er-share information:		
perating income from continuing operations	**$8.49**	$6.57
et realized gain on insurance investments	**.89**	.52
come from continuing operations	**9.38**	7.09
iscontinued operations	**(.10)**	(.40)
come before extraordinary income	**9.28**	6.69
traordinary income	**.28**	3.09
et income	**$9.56**	$9.78
verage number of common and common equivalent shares outstanding	**10,069,000**	7,679,000

rough repurchases of 4.7 million common shares, including 3.6 million purchased in October 1978, Reliance Group has reduced the mber of common and common equivalent shares outstanding from 13.7 million on June 30, 1978 to approximately 9.0 million at present.

Reliance Group Operations—Year Ended December 31, 1978

NSURANCE

evenues: $1,079,048,000

ivisional Pretax perating Income: $ 116,218,000

Property and Casualty Operations, U.S.
Reliance Insurance Company, Philadelphia
General Casualty Company of Wisconsin, Madison
United Pacific Insurance Company, Tacoma

Property and Casualty Operations, International
Pilot Insurance Company, Toronto

Life and Health Operations, U.S.
Reliance Standard Life Insurance Company, Philadelphia
United Pacific Life Insurance Company, Tacoma

Title Operations, U.S.
Commonwealth Land Title Insurance Company, Philadelphia

ONTAINER LEASING

evenues: $ 111,490,000

ivisional Pretax perating Income: $ 37,241,000

Container Leasing Operations, Worldwide
CTI—Container Transport International, Inc., New York

ANAGEMENT SERVICES

evenues: $ 41,730,000

ivisional Pretax perating Income: $ 3,270,000

Consulting Operations, U.S.
Fuel & Energy Consultants Inc., New York
Moody International, Inc., Pittsburgh
ORU Group, Inc., New York
Werner Associates, Inc., New York
Yankelovich, Skelly and White, Inc., New York

Consulting and Software Operations, International
Inbucon Limited, London
Fuel & Energy Consultants Limited, London
Leasco Software Limited, Maidenhead
Moody International, Ltd., London
Werner International, Brussels

"We picked Dallas/Fort Worth because they've got the right attitude."

Reece A. Overcash, Jr.
President & Director
Associates Corporation
of North America

"There were many things to consider before we moved our administrative offices. Location, communications, resources–they were all important factors. But what really made us decide on the Southwest Metroplex was their attitude.

"It's an attitude reflected in how they manage their cities.

"You see it in their views on corporate taxes–there are none.

"You see it in their allocation of corporate space–it's plentiful and very reasonable.

"You see it in how hard the people work and in what they think they can do–you'll almost never hear anyone in Dallas/Fort Worth tell you it can't be done.

"They have a real positive attitude. And it's catching. That's probably why 1017 million dollar companies make their homes here in the Metroplex. And why we decided to become number 1018."

If your company is considering relocation or expansion for any of its operations, contact us now. We'll provide all the information you need on the Southwest Metroplex. Write Worth M. Blake, President, North Texas Commission, P.O. Box 61246, Dept. W, Dallas/Fort Worth Airport, Texas 75261. Or call 214-574-4430.

The right attitude.

Dallas/Fort Worth
The Southwest Metroplex

against the company. But painful as t
are, Hans Storr says he must engag
this practice, too. At least he is goo
it: PM's reported (if phony) foreign
rency-exchange loss last year was al
$11 million before taxes, but St
hedging programs reduced the net
come effect to just about zero after ta

In an FASB-commissioned study
lished last November, three Univer
of South Carolina professors surve
430 of the U.S.' largest corporati
Among their findings: "A large nun
of firms reported that they have reco
dered their corporate policy on d
dends. There is evidence that firms h
substantially accelerated their divid
flows from weak-currency foreign s
sidiaries to reduce exposure. . . . [Si
Jan. 1, 1976] firms have reduced borr
ing in the German mark and Swiss fr
increased borrowing in the Br
pound, Canadian dollar, French franc
Mexican peso, and remained at the s
level in the Japanese yen."

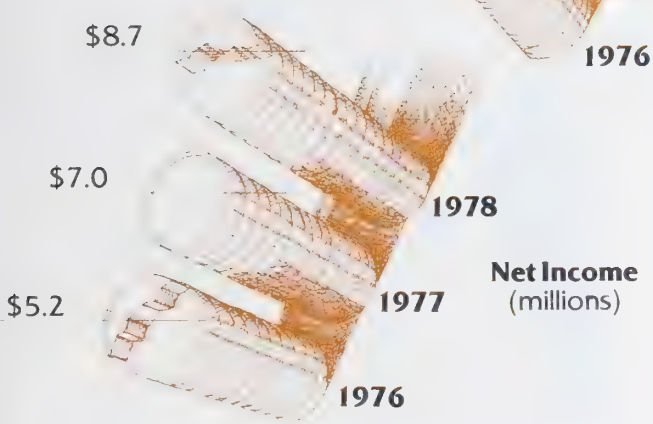
***FASB 8's days appear nu
bered—at least in its curr
form. It's about time. Isn't t
dollar in enough trouble fr
the gnomes of Zurich witho
having to contend with t
gnomes of Stamford, Conn. to***

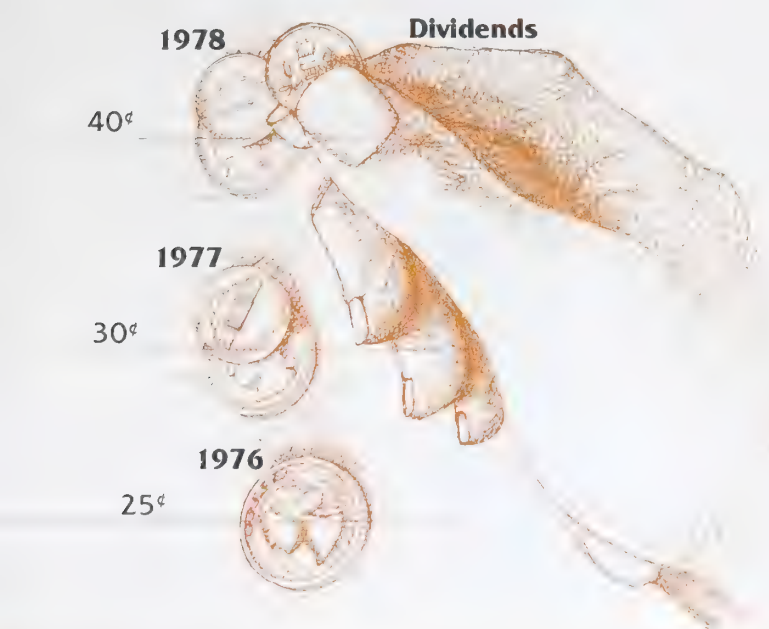
George Weissman has a very pract
suggestion for ending this bit of Am
can masochism.

"We would," he says, dragging on
another of PM's Merits, "like the FA
to let us go back to valuing inventorie
current exchange rates, rather than f
ing us to use the historic rates." Tl
says Weissman, would help the dolla
reducing the amount of greenba
awash in the world, and by increas
the world's supply of deutsche ma
Swiss francs and yen. And it would m
good *accounting* sense, too: "Our toba
leaf inventories *are* very current, v
liquid assets which we could go out
morrow and sell at world prices."

We are happy to report that FASB
days appear numbered—at least in
rule's current form. The U.S. Treas
recently launched an investigation i
the rule's impact on the dollar's plun
and the Financial Accounting Standa
Board members themselves seem re
to amend it. "Changes to FASB 8 . . .
expected to result from today's decisi
by the FASB to formally add *[sic]* to
board's technical agenda a project to
consider its 1975 conclusions on fore
currency translation. . . ," the board
cently announced. It's about time. Is
the dollar in enough trouble from
gnomes of Zurich without having to c
tend with the gnomes of Stamfo
Conn. as well? ■

1978. Keene's greatest year yet for putting good things together.





Our $2.64 EPS for 1978 set another record – a solid 30% higher than last year's record earnings. Longer term, thirteen successive record EPS quarters have raised our 5-year compounded growth rate to 30%. Since 1967, our start-up year, sales have gone from $9.2 million to $163.9 million, and a zero dividend has turned into a significant 40¢ return – up 33% last year alone.

Ahead? We're a healthy, rapidly growing teenager that will continue to specialize in Bearings, Filtration, Lighting and Laminates. We've built new facilities to help meet our 44% increase in year-end backlog – a new record resulting from a 27% gain in 1978 bookings. That should mean still better numbers next year. For more on the record numbers to date, write for the new annual report.

KEENE
CORPORATION
345 Park Avenue, New York, N.Y. 10022

Twelve years after FORBES editors set up a portfolio of common stocks by chance, the "Dart Board Fund" continues to do well.

Dart it all!

Statistical Spotlight

WELL, WE DID IT AGAIN. FORBES' "Dart Board Fund" has once more beaten the averages and most of the professional money managers.

We last reported on the fund a bit over a year ago. Once again it has come through with flying colors. Since the end of 1977 it has produced a 13% gain; Standard & Poor's 500 is up only 3%; the Dow Jones industrial average, down 1%.

The FORBES Dart Board Fund is a product of some neat wrist-work by FORBES' editor-in-chief, publisher and editor. Almost 12 years ago (FORBES, *Nov 1, 1967*) these three gentlemen each tossed ten darts at a board on which was mounted the stock market page of the *New York Times*. They came up with a list of 28 stocks in each of which, in theory, they invested $1,000; where a merger eliminated a stock, they reinvested the proceeds in the acquiring company. No new stocks were bought. None were sold. Over these 12 years our fund has grown from $28,000 in value to $43,278.91. Our Dart Board Fund gain so far is 55%, which compares favorably with the S&P 500's 8.2% gain and the DJI's 4% loss. Pretty neat, what?

What does all this prove? That the wrist is mightier than the brain? No, but we think it raises some interesting questions for the random walk theorists. These are the people who argue that stock prices behave in a random fashion and that trying to beat the market by intelligent portfolio management is a pretty hopeless endeavor. We don't necessarily subscribe to this theory but a good many people do. The random walkers argue in favor of indexing—that is, buying a cross section of the market and simply riding with the long-term tendency of stocks to rise. We think they are missing a guess: If the market were random, why not buy a random selection of stocks and ride with it? We did. T struck us to be at least as intelligent indexing. And look at the results.

Mark this: Our dartists were not ov whelmingly successful in picking w ners. Thirteen stocks declined over 12-year period *(see table)*. But the gain more than offset the losers—hence nice margin of profit.

Significantly, many of the *downs* performers were stocks the professio money managers were high on back 1967: Singer, which produced a tu around that didn't last; Firestone, wh went from star of the Sixties to stumb of the Seventies; Chase Manhatt which used to be larger than Citico Textron, the first conglomerate and of the best managed; Inco, the king nickel.

Of the 15 stocks which gained si 1967, their combined profit is $20,03 over 70% of the original portfolio su Profits were four times total losses.

There's an interesting principle volved here. While losses are limited t possible 100% of original cost, the stoc that declined lost only 17%; profits w 72% since six stocks gained 100% 200% and Texas Oil & Gas rose 848%. it this way: Had the 13 losers gone entir out of business, our portfolio would s have shown a profit. The dead loss $13,000 would have been more than off by the gains on the other $15,000.

The moral? Stick with your pic Your typical investor, professional amateur, would have been tempted take his profits early on the winners a so would have missed out on much their gains. It was a handful of winn out of 28 stocks that offset the tok gainers and the large number of los and gave us an overall profit. This really the key point.

The old rule is: Cut your losses and your profits run. Our experience wou lead us to rephrase that to: Let both yo profits and your losses run. There some reasons for this. One is that y can only lose 100% on a stock where your potential gains are limitless. T other reason is that a loser can co back; the stock that loses 50% one ye can, by simply coming back to its sta ing point, gain 100% the next year.

For this year's updating of the D Board Fund we decided to apply anoth test to our results: dividend growt There, too, the Dart Board is up—from yield of 3% to 4%—although the D (6%) and the S&P 500 (5.3%) do exce the Dart Board's yield.

We don't recommend dart boards general as a means of picking stocks, b we do think our experiment sugges that a sit-tight philosophy, while it c test your patience, has a lot to reco mend itself over constant buying a selling. It would seem that a combin tion of luck and sloth beats brains. ■

The Dart Board Fund

Below are the present holdings of the Dart Board Fund. The original portfolio has been affected by several mergers, a cash tender offer and a spin-off.

sent tfolio	Value of portfolio 12/31/77	Value of portfolio 2/5/79	Change in value since 12/31/77	Change in value since 6/30/67	Price 2/5/79	Shares presently held
uirre	$ 790.48	$ 756.70	– 4%	– 24%	14*	54.05
in	1,658.56	1,363.20	–18	+ 36	15	90.88
er International	1,480.31	2,009.54	+36	+101	32¾	61.36
nker-Ramo—com.	143.55	258.39	+32	– 11	20¼	12.76
—$1.50 preferred	531.14	631.62			22	28.71
olina P&L	602.54	567.29	– 6	– 43	22⅛	25.64
se Manhattan	737.61	734.53	– 1	– 27	29¾	24.69
ecker Motors	1,208.39	2,166.78	+79	+117	32½	66.67
use-Hinds	1,642.98	2,293.08	+40	+129	24¼	94.56
I	771.42	600.00	–22	– 40	2⅝	228.57
Paper Bd—com.	417.10	702.48	+46	+117	24	29.27
—$1.20 preferred	356.06	604.81			31	19.51
exham†	713.41	865.85			17¾	48.78
stone Tire & Rub	719.04	578.60	–20	– 42	12⅞	44.94
ida Steel	1,102.88	1,705.78	+55	+ 71	29	58.82
neral Dynamics	622.87	1,134.82	+69	+ 24	33¼	34.13
Houston Nat Gas**	111.21	103.01			25⅛	4.10
ene Curtis	537.23	495.90	– 8	– 50	7½	66.12
CO Ltd	462.20	485.82	+ 5	– 51	18	26.99
CO (originally ESB)	1,095.83	1,151.82	+ 5	+ 15	18	63.99
rnational Paper	1,495.81	1,363.33	– 9	+ 36	39⅞	34.19
rpace	1,008.95	1,321.46	+31	+ 32	18½	71.43
llow Corp	301.50	567.83	+88	– 43	14⅛	40.20
cAndrew & Forbes	1,360.53	1,823.69	+34	+ 82	15¾	115.79
ific Tin Consol	1,044.97	1,123.63	+ 8	+ 12	12½	89.89
Penney	1,118.25	988.31	–12	– 1	31⅜	31.50
ston	3,695.59	2,940.58	–20	+194	18½	158.95
ger—common	179.31	124.74	–22	– 67	14	8.91
—$3.50 preferred	244.92	205.92			33	6.24
ndard Oil Indiana	2,539.35	2,879.21	+13	+188	56⅛	51.30
beam	579.47	565.25	– 2	– 43	19⅞	28.44
as Oil & Gas	8,258.49	9,476.95	+15	+848	35	270.77
tron	714.97	687.99	– 4	– 31	25½	26.98
TAL	$38,246.92	$43,278.91	+13	+ 55		
P's 500	95.10	98.09	+ 3	+ 8		
A	831.17	823.98	– 1	– 4		

mpany being liquidated; last price NYSE. † Shareholders of Riegel Paper received both Federal Paper Board mon and preferred shares and Rexham common. ** General Dynamics divested Liquid Carbonic, which was equently acquired by Houston Natural Gas.

Attention Business Men

Having a hard time getting bonds or is your present bonding company holding you back from increasing your limits? Do you need the following financial services:

1. **Corporate loans.**
2. **Real estate loans.**
3. **Construction or permanent financing.**
4. **Second mortgages.**
5. **Sale lease — back.**
6. **Ship or boat financing or leasing.**
7. **Heavy equipment leasing.**
8. **Factoring and accounts receivable financing.**
9. **Car and truck fleet leasing.**
10. **Individual car leasing.**
11. **Become a leasing broker.**
12. **Professional leasing from $1,500 — up.**

If so contact:
Philadelphia Company
A Financial Corporation
P.O. Box 643,
Levittown, Pa 19058,
Attention:
Alex Feinman,
Telephone (609) 795-5497.

"QUICK! GET ME EVERY DECISION YOU CAN FIND ON 'BURIED TREASURE'!"

PROBLEM:

WESTLAW is West Publishing Company's answer to a lawyer's plea.

It offers direct access to a vast electronic library—the tens of thousands of state and federal cases that West, a leading publisher of law books, have in their St. Paul computer files.

Research that once took hours now takes seconds.

Ironically, WESTLAW's far-reaching success posed a problem: could data communications keep pace with its rapid growth coast to coast?

Before adding full text printouts to the service, for example, West wanted to be sure that lines and terminals could handle the longer messages efficiently.

Also, they did not want the expected surge in demand to slow down their almost instant response to inquiries.

The problem was data communications. The solution came from the Bell System.

SOLUTION:

The case for the Bell System solution was made on the basis of astute total systems planning and two Bell innovations.

One is Dataphone® Digital Service. This is the high-performance digital network that already links the nation's largest cities. It has helped virtually eliminate errors and interruptions in WESTLAW transmissions. It's also helping keep response times ultrafast.

Second is Bell's newest Dataspeed® terminal—keyboard, display unit, and high-speed printer—now used by WESTLAW subscribers.

Full text almost instantly, in print.

This combination plus Bell's continuing on-the-spot involvement have prompted West to look at still other ways to take full advantage of the Bell solution.

If you haven't talked with your Bell Account Executive lately about a System-backed system for your company, you're missing something.

The system is the solution.

Bell System

In a realty reorganization the lawyers sometimes do better than the creditors. But you can avoid this if you are not too greedy.

Fighting off the sharks while giving plasma

By Paul Blustein

THE KEYS, as the expression goes, will be on the table. Meaning, if you call our loans, brother, you own the property.

An uncomfortable decision is now before the creditors of Arlen Realty & Development Corp., the nation's largest publicly held real estate firm and owner of New York's Korvettes discount stores. The creditors can accept Arlen's plan to scale down its tangled mass of indebtedness, or they can throw the company into court for protection under the federal bankruptcy laws. If they opt for bankruptcy—if they take the keys off the table—they may squabble over them for months or years.

The Arlen plan was authored by Kenneth Leventhal & Co., a Los Angeles accounting firm. Leventhal has made a name for itself by helping over a score of troubled real estate companies keep out of the courts. Among Leventhal's more famous "workouts": Trammell Crow, the Dallas developer; Redman Industries; Cabot, Cabot & Forbes; and a number of real estate investment trusts.

Working out troubled real estate situations may sound like dry business, but it has helped make Ken Leventhal, a 57-year-old who founded his firm in 194 rich. The firm is medium-size, ranki in the top 25 U.S. accounting firms, b its real estate niche is so profitable that will easily buck the trend to merge int "Big Eight" firm—as J.K. Lasser and S. Leidesdorf, among others, did recently

Why are real estate workouts so nec sary a service? Because "throwing t keys on the table" is usually scary to creditor. "In most jurisdictions," L venthal explains, "the costs of a judic reorganization [under Chapters X, XI XII of the Federal Bankruptcy Act] pro ably approximate one-third of the ban rupt estate." Or as Leventhal's partn and comanager Stan Ross puts "Whenever you go into the court, one the first things that happens is that t judge stands up and says, 'I'm confuse That makes for long delays."

And huge costs. Once the lawy swarm over a reorganization there m not be much left for the creditors. It Leventhal's job to persuade, say, seni creditors that it is better to give up a l of their claim to junior creditors a even to equity owners in order to av monstrous legal bills. You might call i system for diverting money to juni creditors and equity holders that wou otherwise go to lawyers.

The trick in a real estate workout is devise a plan that—even if it pleases n body—still satisfies everybody. Ea claimant, from the most senior del holder to the lowliest stockholder, has be convinced that he's better off in t long run by giving up a portion of wh he's theoretically entitled to, instead going for all the marbles in a legal actio

"A lot of people have a Calvinist attitude," says Ken Leventhal, "and s that you shouldn't preserve any equi interest in a company if the creditc don't get paid in full. My view is to t contrary; as long as you get more for t creditors than they would get through judicial process, it's to their benefit preserve equity." Theoretically, the equ ty holder has been wiped out by his d fault, but he still has the power to del and harass. In order to buy his cooper tion, Leventhal advises, leave him wi some ownership.

In Trammell Crow's case, for instanc one creditor was an investment arm the Baptist Church. Its representative– preacher—had to face the fact that und Leventhal's workout plan, Crow mig yet wind up very rich. It seemed like reversal of the absolute priority rule which senior creditors are paid in fu then junior creditors, then equity holde only if there is anything left.

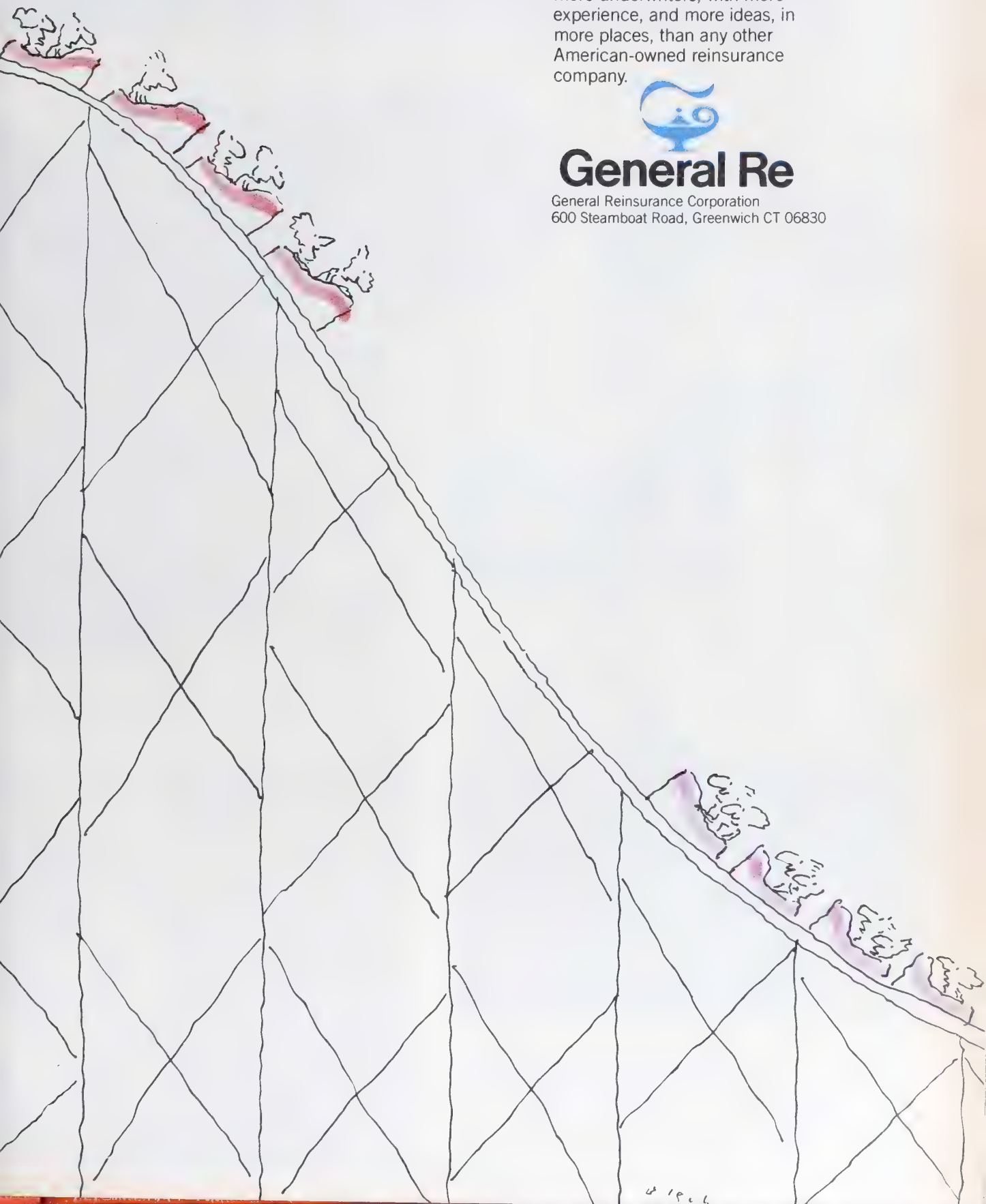
The Baptists had to settle for cancelin their debt and taking over some Crow's property, even though the valu of the property was depressed below t total amount of their claim. Eventuall however, their decision proved to ha

Leventhal & Co.'s Kenneth Leventhal
It's best to buy shareholders' cooperation—"Calvinism" notwithstanding.

Bad things can happen.

We insure insurance companies against catastrophic losses.

To manage these risks, we have more underwriters, with more experience, and more ideas, in more places, than any other American-owned reinsurance company.



General Re

General Reinsurance Corporation
600 Steamboat Road, Greenwich CT 06830

What Diamond
up to now. Beside

Diamond today is a multi-faceted, forest-based company whose sales have nearly doubled in the last six years to well over a billion dollars. This two-minute progress report will help explain why. It may give you a few surprises, too.

We're a lot more than matches. Over 90 years ago, as Diamond Match, we invented the safety match. And we're still one of the world's largest match-makers. But matches now account for less than 4% of our business. So that still leaves you about 96% in the dark. And for a billion dollar company that's a lot.

We're a tree company. We grow our own raw materials–1.4 million acres of trees. They're

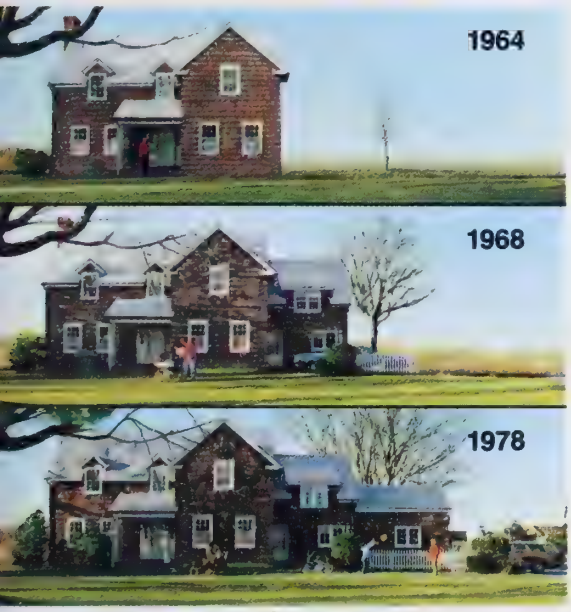
a rich, renewable resource. Our scientific forest management also makes sure that we get maximum utilization from every tree we harvest. And that every tree harvested is replaced.

A nationwide packaging company. A lot of our pulp and paper goes into packagi products. Folding cartons. Egg cartons. Trays for meat, produce and for fast food chains. We're also a major can company. And the largest producer of non-aerosol mist sprayers: "Th only propellent they use is your finger."

A consumer products company. Yes, though we're known by other names. Like Bicycle,® Congress® and Tally-Ho® playing cards. Vanity Fair® paper towels and tissues. We also make cotton swabs, paper plates, school and office supplies and wooden-ware products from tongue depressors to toothpicks.

nternational is billion dollars.

memaker. A retailer. Building lumber g business at Diamond. We sell it for homes–or home renovation and nsion. We also operate over 100 build-



We're expanding because you are.

upply home centers for professionals do-it-your-selfers. And we're adding out- every year.

nti-cyclical pany. We try to d big roller ter rides with uct lines that nce and comp- ent each other. retail opera- for example. n new housing s to decline, e remodeling lly booms. So e got the best th worlds.

A dividend payer for 98 years in a row. Only seven other New York Stock Exchange industrials —out of over 1,100 members— can equal or better this dividend paying record. Diamond International's average dividend yield for the last five years is also the highest among U.S. forest products companies.

A tomorrow company. You grow best doing what you know best. That's why we've diversified by *design*. Selected markets where we have special expertise. So we're set for tomorrow. Diamond. The 252nd largest company in the U.S. Over $1 billion in sales. And moving.

The Diamond market today.

Write Dept. F-39 for our quarterly and annual reports.

DIAMOND INTERNATIONAL

733 Third Avenue, New York, N.Y. 10017
Forest Products • Packaging & Printing • Consumer Products
Building Materials & Home Supplies • Machinery Systems

LOOK TO FLORIDA
as the site for your regional, corporate or administrative headquarters

Many others have, and for very good reasons!

- Highly skilled labor pool
- Sophisticated multi-faceted transportation and communications systems
- Excellent educational facilities
- Ready air access to Europe and Latin America
- Positive pro-business attitude
- The Sunshine State's climate and living conditions
- Availability of suitable executive housing

A completed fact-finding study is available outlining the major considerations for bringing your company to Florida.

To get your copy, write or call:

Division of Economic Development
Florida Department of Commerce
107 W. Gaines Street, Room 773H
Tallahassee, Florida 32304
(904) 488-5507

FLORIDA
THE PLACE TO BE

Leventhal partner Stan Ross

An accountant has to be a psychologist sometimes.

been a wise one: The property's problems were worked out and the Baptists sold it for a handsome price.

Meanwhile, Crow was able to survive; his organization is prospering today. Had the Baptists tried to recover their "deficiency" by grabbing for more assets—assets which had been pledged for other loans—the result would have been horrendously complicated bankruptcy proceedings.

The problem is that modern real estate companies tend to build up a myriad of loans with different lenders, whose claims for security often conflict. "You get general liens, collateral calls, pools, cross-collateralization, and so on," says Ross. What about an example? asks FORBES. Leventhal pulls a thick bound book out of his desk and flips past several pages filled with columns of numbers to a fold-out chart. "This was used for Trammell Crow, and should give you some idea," he chuckles as the chart flashes by. The chart contains an impenetrable array of lines, arrows and boxes, rather like a diagram of spaghetti and meatballs, all designed to show the structure of the Crow organization.

"It's the nature of the [real estate] beast," shrugs Leventhal. "Trammell Crow was 800 business entities."

Leventhal's firm, then, first has to cut through what Leventhal calls "the accounting hogwash" in putting together a debt-restructuring plan. "What we do is analyze the underlying real estate in terms of a range of values, under different economic circumstances," explains Stan Ross. "And we look at the probable streams of cash flow."

The next step is to put together the complex charts showing which parties are which—and what the seniority of their claim is. "Sometimes people are not owed what they think they are," says Ross. "Often a bank will show up at a meeting, pound the table and say, 'We have a first lien on this property. And we're here to take it.' So someone will have to say, 'Please show us your documentation.' And to his absolute sho the guy will find that he doesn't have document. The lien isn't recorded."

The next step is to develop the de restructuring plan itself. That requ some tactical maneuvering. "You can go to a mass creditor meeting witho concrete plan," says Ross. "If you people together and ask what they wa it's a mob scene. They fuel each othe like what's happening in Iran."

A whole series of bankruptcy co words has developed. "A 'face-saver Ross explains, "is for the individual w screwed the whole thing up; you have issue him a new certificate as a fa saving device. A 'plasma loan' is mo that a company needs to get it over hill so it can survive. And there are g we've named 'sharks.' They go into market and buy the subordinated deb a troubled company at low prices—a then they come in and disrupt your re ganization"—that is, hold out for a bet settlement. "One of the reasons Citize Mortgage Investment went into a Ch ter X was because of heavy shark conc tration. We couldn't get the boat out infested waters."

Sharks aren't the only menace. M nows can be troublesome, too. Ross members one smallish creditor of a "n town" sponsored by the Department Housing & Urban Development. " was a great big guy," Ross recalls. " kept pounding at us, insisting he wo hold out for 100 cents on the dollar.

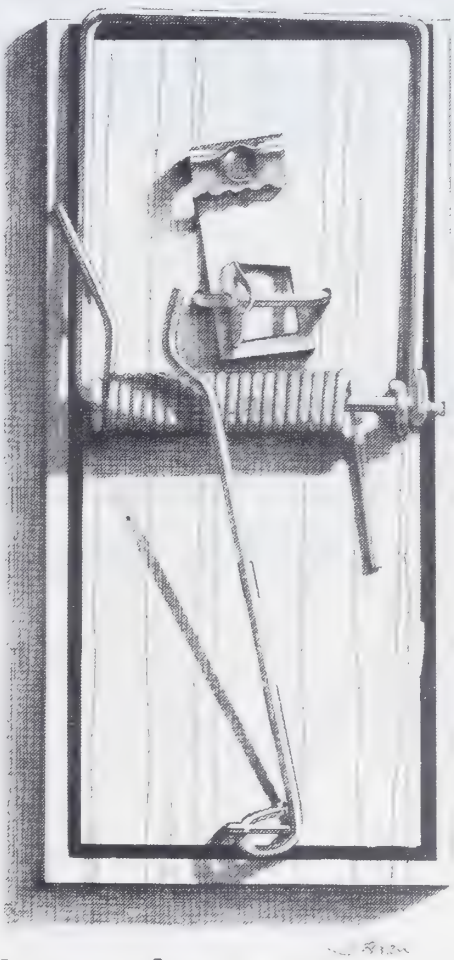
"So when we brought him into a ro with all the other little creditors in t town, we said to him, 'Why don't y become the chairman of this meetin We then announced to the people pr ent, This guy will be taking over t chair and he would like to explain t plan to you.' "

The ploy worked: The creditor eas his belligerent stance.

So, an accountant has to be a bit o psychologist sometimes, but that's s cheaper than letting the lawyers get h of the keys. ■

Think of us as an uncommon company. Basically.

Fiber optics, lasers, microprocessors and ultrasonics are not what one generally associates with shoes, glass bottles, gears or tires ☐ yet they're the technologies we're harnessing daily to help our customers produce such basic products ☐ It's bringing space-age science down to earth ☐ It's how we increase customer productivity ☐ promote energy conservation ☐ help cope with the global shortage of skilled people ☐ It's making practical use of science ☐ to keep the path to our door well beaten ☐ worldwide.



EMHART

For more information, write V.P. Public Relations,
P.O. Box 2730, Hartford, Connecticut 06101

Ft. Worth skyline at dusk
A billion dollar mark on the world is supposed to survive.

Charles Tandy is dead. Does his spirit linger on? A great many people fondly hope so.

What to do after you bury the boss

By Harold Seneker

VALID OR NOT, the belief that there are such things as one-man companies that can't survive their creators dies hard. That scene was played out again recently in Ft. Worth, Tex. Charles D. Tandy, 60, lay down for a nap one Saturday afternoon in November and never got up. He couldn't have timed his passing much better if he had planned it. For one thing the directors were already arriving in town for the shareholders' and directors' meetings set for the next week. For another, it would be two days before the stock market opened.

Word spread fast. Charles, as he was known to everybody in the company, had become Ft. Worth's uncrowned prince. Tandy Corp. and its offshoots dominated its business life the way his two massive 19-story office buildings set on the eight-square-block Tandy Center dominate its landscape. (Coming in at night from the airport, you see the old cow town's new skyline lit up before you, and one whole side of it is the two Tandy buildings, the name in lights carrying for miles through the darkness.)

Now something had to be done quickly. The dozen or so key officers and nearly all the directors held an unscheduled meeting Sunday afternoon.

The first problem was the stock. They thought they remembered the shares had plunged in 1967, when Charles had a minor heart attack, and in 1972, when a company plane went down with five executives aboard. (In fact, the stock hardly budged.) This time he really was dead. The succession would have to be decided too, of course. But that could wait.

What mattered most, they decided, was that the company be seen to operate normally without him. Several major shifts in organization ordered by Charles were under way. They would go through as planned. "Normal" was to be the watchword.

Next was Charles' estate. He voted 2 million of the company's 25 mil shares. Were there any financial prises in the will? Tandy's lawyer present; he could not reveal the cont of the will before probate, but he them there was no worry, the estate in good order. "You'll hear dozen rumors over the next few days," Dire Phil R. North told the informal b meeting. "Rumors of takeover bids, erything. Well, don't you believe an it. Nothing is going to happen."

Now, what about succession? A t porary chairman? A permanent Leave it open? What about the presi cy and the CEO slot? They would hav settle that on Wednesday.

Whatever they did there would no another Charles Tandy. He had h more than any future chairman of board and CEO could hope to be. U that Saturday, he oversaw the affair five companies simultaneously. moved into the Tandy Center in Fe ary 1977, but his executives like t member him operating out of his pri office away from headquarters, be his desk, larger than life in recollect throwing off boundless energy, laug into his ever-busy phone, waving a cent cigar with his free hand at t different visitors while a handful of ecutives hold an impromptu meetin in a corner, awaiting their turn.

"He liked the constant activity," plains one top-level man admiringly. had no hobbies, no children. He drank and slept business, from dawn til as late as anyone was willing to about *his* business with him."

Tandy was mercilessly critical of subordinates, but they had learned meant it not as disparagement but goad. As one of them put it, "He'd you up and ask you if you knew current turnover rate for some big in tory item in the stores, or something course you didn't, but he'd looked it Then he'd go on to what he wante talk about. But first he always made that he kept his left in your face."

But Tandy never fired anyone, t say. If you didn't work out, he'd sh you to some harmless spot away f the action. Some of his devoted ex tives had stayed with him 30 years.

Charles not only headed up those companies, he invented them. First built the family's local leather busi into a nationwide chain of handic shops—Tandycrafts, Inc.—in the 19 Then he bought Radio Shack, a ne bankrupt chain of nine retail electro stores in the early 1960s, and built it i a giant—7,000 stores worldwide n and most of them outrageously pr able. In the late 1960s he added a printing operation (now the sepa Stafford-Lowdon, Inc.) and a promis newcomer, Color Tile, Inc., a chai retail wall-and-floor-covering stores

Every few minutes, hundreds of people fly into Kennedy with us.

On the average, some 400 planes land every day at New York's John F. Kennedy International Airport.

During the busiest hours, they come in every two minutes.

How do the JFK air traffic controllers keep the landings as regular as clockwork?

With ground-to-air radio equipment, developed and built by the people of ITT.

We're the world's largest supplier of these specialized communication systems—with 50,000 in use at U.S. airports.

These two-way systems are used by *every* major U.S. airport. Not only New York's Kennedy, but New York's LaGuardia.

And Chicago's O'Hare, Atlanta's International, Los Angeles' International, Dallas-Fort Worth's International, to name only the busiest.

Matter of fact, if you've flown anywhere in this country, your flight was helped home by ITT communication and navigation equipment.

And somewhere, somebody else is being brought home with it at this very moment.

The best ideas are the ideas that help people. ITT

©1979 International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y. 10022

The late Charles D. Tandy
No hobbies, no kids; business was fun.

the do-it-yourselfer. Tandy had set out to build himself a billion dollar company, and he had done it (for fiscal 1978, net sales were $1.06 billion; net income, $66.2 million; current assets, approximately $400 million).

The formula, a mix of retailing savvy and Texas-style wheeler-dealing, was actually quite straightforward: Lease, don't own, retail space (to keep asset turnover high); stock only items with extremely high gross margins (he demanded 55% to 60% margins at Radio Shack, when the typical electronics retailers' margins were more usually 32%); cut the inventory to a manageable stock of high-turnover items (Radio Shack went from over 40,000 stockkeeping units per store to 2,400); advertise *very* heavily ("If you want to catch a mouse, you have to make a noise like a cheese," Tandy would say, and budget 8% to 9% of sales for advertising); leverage the balance sheet fearlessly (3.39-to-1 debt-to-equity ratio at the end of fiscal 1978); plow all the earnings back into growth ("Who wants dividends when they can have capital gains?" he used to say) and give Wall Street what it wants. He conglomerated with gusto in the 1960s, for example, and then, in the 1970s, when tastes changed, spun off everything to stockholders but Radio Shack and the Tandy Center.

The funeral was on Monday, Nov. 6. The stock market closed that day with Tandy Corp. down 2½, to 22⅝, on volume of a quarter of a million shares.

Then it stabilized. Eight times earnings, Wall Street seemed to have decided, was low enough for a company with $1 billion in sales, a net profit margin of 6.2%, a return on shareholders' equity of 40.3%, and a compounded ten-year earnings growth rate of 28.3%. (Lately, at 24, the stock is still 8 times earnings.)

The price of the stock was more important than almost anything. Every

The view from third base

Maury Wills, the base-stealing artist of the Los Angeles Dodgers, once defined luck as the point where "preparation meets opportunity." John V. Roach II, a heavy-set Texan, has just stolen third base at Tandy Corp.

At 40 Roach is executive vice president of Radio Shack—Tandy Corp.'s primary operation—and current frontrunner to succeed Phil R. North, 60, as chairman (Radio Shack's President Lewis F. Kornfeld Jr. is 62).

Luck and preparation crossed perfectly for Roach. A Texas Christian University M.B.A., Roach bailed out of the data processing center of a failing finance company in 1967 and came to work at Tandy's computer processing center. He then acquired a private vision—to produce a workable "home computer," a blue-sky concept of the Sixties.

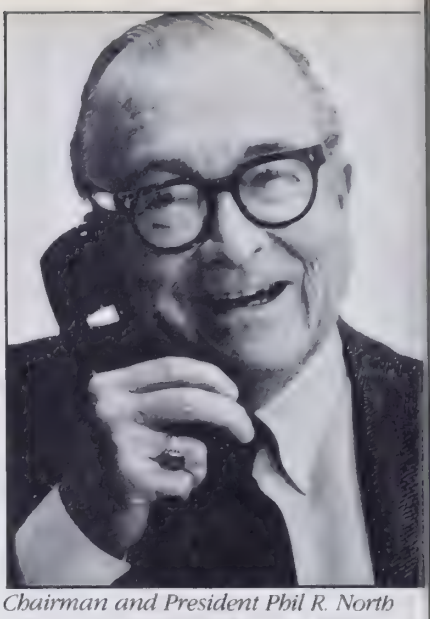
Over the years, as he rose through the ranks, Roach developed the home computer using Radio Shack tape equipment, a monitor screen and a keyboard. One day in early 1977 Charles Tandy came down to his office to see it and was hooked. He told Roach to take 3,000 to market.

At that point Roach was safe at second. He had his hand-built prototype, but no manufacturer. Most computer manufacturers didn't believe the era of the home computer had arrived. So Roach decided to have Tandy itself make the machine in Ft. Worth. Says he: "The industry took nearly 21 years to develop the technology. We had to develop the product in one."

In the fall of 1977, the Radio Shack TRS-80 took off with a speed that surprised even Roach. His expectation was that small businesses would be cautious at first, but that home hobbyists, the core of Radio Shack's customers, would get the market going. Instead, the small business market boomed. Tandy sold an estimated 100,000 TRS-80s last year ranging from $600 to $4,000 per system—40% of them to small companies. "All sorts of people bought them," says Roach. "A house of ill repute uses one to list its customers. There's a kid of 14 who uses one to write up computer programs for the trust division of a Ft. Worth bank."

So Roach is safe at third. But what happens when Texas Instruments, Inc. moves into the market? "One advantage is our retail outlet of 7,000 stores," Roach contends.

But equally important is the question: Will Tandy without Charles be as sharp as it was when he was around? **—Gerald Odening**



Chairman and President Phil R. North
After all, what are friends for?

manager and executive—includ Charles Tandy—got minimal salar and there was no pension plan. W they got were big bonus deals depend on results. You had to make your o financial arrangements for retireme he would explain. If you were sm you'd buy the company's stock.

In fiscal 1978 net income fell from $ million to $66.1 million, mostly beca of the CB radio bust. Tandy's respo was to borrow $100 million from banks and buy in 3.5 million shares. sult: Earnings per share jumped to $2 from $2.17 the year before. Rising come, he figured, would restore the pleted debt-to-equity ratio in time.

So, how to replace this phenomen He had been chairman, president a CEO of the parent and chairman of the spin-offs. The solution turned out to be difficult. Three of the top men h long since taken over spin-off operatio and wanted to stay with them, wh George R. Nugent, number two man Radio Shack, had been assigned to fix ailing Tandycrafts earlier in the year.

So each of them assumed the cha manship of his respective company.

Titles at the parent Tandy Corp. w another matter. Phil North (FORBES, *D 11, 1978*) was listed in the annual rep only as a director. But in fact he h served as an unofficial right-hand man Charles for a decade, working until ea 1978 on a fee basis.

But the close association of the t men was actually a lot older than th "We first went into business togeth when we were nine years old," Nor recalls, "selling leather strips. We cou get 'em from his father at a penny apie and sell 'em to the other kids at two fo nickel, once we showed 'em how make belts and quirts [riding whips]."

North knew Charles' thinking bet than anyone else alive. The periodic, fr

Cash Management.
The state of the art can be dazzling.
High computer technology, sophisticated systems, working by the clock not the calendar.
But there's more to it than that. An ability to listen and understand; match problem with service.
Our systems are as advanced as anybody's.
Our most valuable service is common sense.

Pioneering. Wells Fargo Bank.

When a local businessman needs hel
expand his business, he turns to his lo
banker. But when big business needs
grow, they often turn to us

Greyhound is a leader in capital equip
leasing. Both Greyhound Leasing & Fina
Corporation and our Greyhound Compu
Corporation are among the top dogs in t
respective fields

Of course, Greyhound is also the top

We're as basic to America as a sma

sportation. Our buses take more people
places than anyone else on earth. Or in
.
eyhound's Armour is America's leading
cer of bacon, and Greyhound's Dial is
untry's best-selling soap.
eyhound Food Service feeds millions of
cans daily under contracts with every-
rom the Air Force at Lackland to the
orce at General Motors.

Plus, Greyhound rents cars, writes insurance, fuels aircraft, builds display booths and generally does everything from hosting Las Vegas conventions to spinning the yarn for Grandma's shawl.

In short, Greyhound isn't just "the bus company" anymore; it's "the omnibus company" — a $4-billion, diversified corporation serving America in a hundred basic ways.

wn bank.

Greyhound Corporation *The omnibus company.*

*t.t.b.
*TOTAL TAX BITE
Computed by ascertaining effect of exemptions and subsidies

ONLY *5%
OF YOUR NET INCOME

United States
Virgin Islands

OFFERS A TOTAL TAX PACKAGE. AND WE MEAN TOTAL!

Benefits include subsidies or exemption of income, real property, gross receipts, and excise taxes as well as customs duties; AND the Federal Government grants duty free entry into the United States even if your product contains an allowable percentage of foreign materials and components

DO YOU QUALIFY?
write

VIRGIN ISLANDS
INDUSTRIAL DEVELOPMENT COMMISSION
MORRIS MOSES—DIRECTOR
P.O. Box 1692 FB-9-1 St. Thomas
UNITED STATES VIRGIN ISLANDS 00801
Phone 809/774-1417 Telex DEPTCOM 3470063

A New Approach to Real Estate Land Banking

Our newly-created large-scale property programs offer many advantages. . .investment, tax shelter, inflation protection, leverage and more.

Over $165,000,000 in M.A.I. appraised property available now in three growth communities in two growth states — Arizona and Colorado. These programs are tailored to the objectives of the developer, subdivision builder and/or sophisticated investor.

Terms: 5% down; interest and taxes only for 5 years. Minimum package price $75,000.

For information mail coupon or phone

800-528-0292 Toll Free
In Arizona 837-9660

Johanna Kobli, Vice President
Pratt Properties, Inc.
16838 E. Palisades Boulevard
Fountain Hills, Arizona 85268

Please send more information on your special Property Programs

Name _____
Address _____
City _____ State _____
Zip _____ Phone _____

Pratt Properties Inc.

060-021979

icking trips to New York to impress Wall Street analysts and the institutio investors had become known "Charles and Phil's dog and pony sho

Now Phil North sits as chairman in vast corner office on the 19th floo One Tandy Center, an enormous, st lined, palatial space with 19-foot ceil built for Charles but little used by h North, a short, solid man with a r demeanor, is unfazed by the grandeu

"Hell," he says, "I'm 60 years ol don't need this job." He tells an ir viewer, "Any billion dollar compan too big to be a one-man show anym We have a lot of talented people h especially young men in their late who have grown up with the compar

But he knows well that Charles' terie is getting too old. North stop field another phone call, then says of

The price of the stock u more important than alm anything . . . (with no pensi plan) you had to make yo own financial arrangeme for retirement, Tandy wo explain. If you were sma you'd buy Tandy stock.

successor he is seeking, "It'll have t somebody from inside the compa somebody who understands how we erate. I think it'll take a couple of m we'll need one to manage the assets— manufacture 40% of what we sell no and one to go out and get the busines

Meanwhile, the company beneath h is still running hard. Earnings were ah 25% in the fiscal first half, and the co pany is jumping with both feet into first new product developed entirely house, the TRS-80 "microcomputer, device that can be as powerful as the familiar workhorse IBM 1401, but wh occupies half a desk top instead small room, plugs into the wall and tails at a mere $600 for the basic syst *(see box, p. 120)*. Tandy Corp. brought microcomputer out in late 1977, since expanded manufacturing space it from 15,000 to 200,000 square f and plans to open a chain of 50 re Computer Centers to peddle it. One s ous Wall Street analyst has guessed total potential market, worldwide o ten years, at more than 40 million un

North means to double sales by the of fiscal 1981 (June 30). Why? "Just make it be $2 billion," he says. "Th what Charles wanted, and it's the l thing I can do for him."

But he knows, too, that something gone out of the game. Now Tandy C is just a big company. "It was fun," H wrote in a tribute to his friend after funeral, "fun all the way, Charles. B God, how we'll miss you." ■

esars World, already a darling of the gam-rs in Wall Street and Las Vegas, craves pectability. For a good reason.

Caesars' visit to Wall Street

By John Merwin

ECENTLY Caesars World President William McElnea Jr., a tall, 56-year-old former investment bank-ew to New York for private meet-with financial analysts representing of America's most influential bro-e houses, Merrill Lynch and Paine er. One wouldn't think a gambling any with a successful Las Vegas tion and plans to open Atlantic s second casino this spring would to trudge up and down Wall Street ng its stock. Last year that stock ted more than 400% on the NYSE, ng all 2,194 Big Board issues. But te McElnea's courting, the two bro-e houses haven't shown much en-asm for Caesars World.

all investors and speculators, daz-by Caesars' 1978 stock performance, have short memories, but the bar-f Wall Street are neither forgetful rgiving. They well remember Cae-problems with the SEC, the Nevada ng Commission, the real estate and o writedowns and Caesars' former ty financial condition. It's no won-nat McElnea and Caesars' manage-have been hunkered down for the ew years. "We didn't have much of y to tell," McElnea says. Actually rs World did have a story to tell, ne which neither Caesars' embar-l management nor its suffering holders wished to hear.

ch of that has changed now, and quently McElnea and Caesars are ng out of the closet, anxious to talk what lies ahead for a company that l Resorts International and Bally facturing as the hottest speculative ling stocks of 1978. Caesars' ordi-earnings for fiscal 1978, ended July se to $1.61 per share, from 1977's . Although 1979's first quarter earn-were nearly flat (31 cents *vs.* 30), Caesars expects soon to report f its best first six months ever.

If Caesars receives a New Jersey license, the company will open its Boardwalk hotel-casino in late May, trying to dig into Resorts International's private gold mine. The mere prospect drove Caesars' stock up to 45 in September, from about 7 in January. (After a late-in-the-year tumble it sold recently for 33, adjusted for a 3-for-2 split.)

What has skeptics worried about Caesars' future is its past. McElnea and Caesars' chairman and vice chairman, brothers Clifford and Stuart Perlman, would like to forget the past, considering their key roles in several company misadventures. (McElnea was a director before becoming president in 1972.)

The Perlmans founded Lum's, the high-flying restaurant chain that ten years ago acquired Caesars Palace with cash and notes for 20 times earnings. A few months later it became common knowledge that the restaurant business was overextended. The stock plummeted. The company sold its restaurants and changed its name to Caesars World.

Caesars President William McElnea Jr.
Asking Wall Street to gamble?

During the last five years Caesars has been plagued by two major thrusts that bombed. In 1972 Caesars began acquiring land in North Miami Beach, Fla. for residential development. But in 1975, the bottom fell out of Florida's real estate market, forcing Caesars to take an $8 million writedown.

The other debacle involved the 1972 purchase of Las Vegas' Thunderbird Hotel. Caesars hoped to replace it with a major hotel-casino-entertainment complex, the Mark Anthony. Despite optimistic statements about impending financing, the Mark Anthony deal fell through in 1975. "We never even came close to getting our financing," McElnea explains today. Writeoff: $9.6 million.

As if that weren't enough trouble, the SEC and the Nevada Gaming Commission began looking into two Caesars real estate transactions involving men alleged to have organized-crime associations. After Caesars agreed to stay away from the controversial businessmen, the gaming commission dropped its complaint, but the SEC investigation continues. Will Atlantic City turn out to be another Las Vegas? Today Caesars has some firm believers who only a year ago couldn't be numbered among its supporters—suggesting that this really could be a new Caesars.

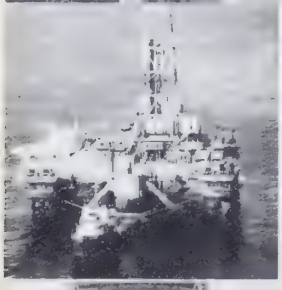
The most important convert is Aetna Life & Casualty, which lent Caesars $60 million last fall—the first time Aetna (and maybe any life insurance company) has made such a loan. Also, Caesars recently received a Standard & Poor's "B" rating on some of its subordinated debt. Only 18 months ago it struggled to get the same rating for its senior debt.

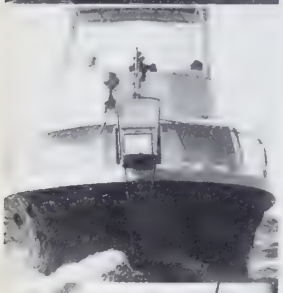
If Caesars' financial situation looks better, so does its board. Caesars appointed James Needham, a former SEC commissioner and NYSE chairman, to its holding company board, and Peter Echeverria, a Reno lawyer, to the board of its Caesars Palace subsidiary. Interestingly, it was Echeverria who chaired the Nevada Gaming Commission in 1975-76 when the commission told Caesars' officers to stay away from the men allegedly associated with organized-crime figures. "Once Caesars got away from those people, I had no further qualms about the company," Echeverria says.

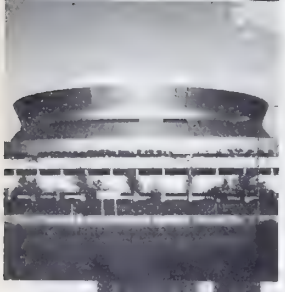
The jewel in Caesars' crown is its posh, 1,236-room hotel-casino, located at one of the busiest intersections on the Las Vegas Strip across from the MGM Grand, the Hilton Flamingo and the Dunes Hotel. Caesars Palace caters to every whim of Las Vegas' most affluent visitors. Surveys reveal that, while only

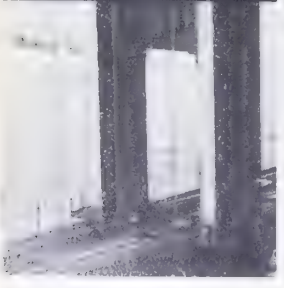
We're already a part of your life. Isn't it time you knew our name?

It's Grow Chemical.









We're a big company doing important things. It would be surprising if there were some area of your life, your business, or your recreation that wasn't affected and improved by the technology and products of Grow Chemical.

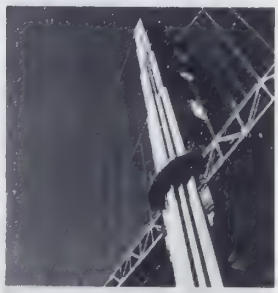
Chances are, the airliners you fly in are protected by Grow's Alumigrip.® It could be that we had a hand in the beautiful finish on the car you drive. The boat you fish from could be protected by Grow's Awlgrip.® Our Devoe paints might be, right now, covering the outside of your house or the room you're sitting in. And Grow's Prufcoat™ protects the refineries that produce the fuel we use.

Grow Chemical Corporation. We produce the finest of today's chemical coatings and we're constantly researching for tomorrow's. That's why the most important industries in America know Grow.

We've reported increases in sales, earnings, and earnings per share for each of the past 5 consecutive years. And, we're the company that, since 1964, has paid stock dividends totaling more than 78%. That, in addition to paying 58 consecutive quarterly cash dividends.

We want you to know Grow, too. Write Grow Chemical Corp., 200 Park Ave., New York 10017. We'll send you a corporate profile and our annual report.

GROW CHEMICAL



11% of the city's guests report fa incomes of more than $40,000, n 45% of Caesars' customers claim incomes. The hotel concentrates cially hard on recruiting the high ro Americans and also foreigners, par larly from such areas as Mexico, S America and the Far East.

The hotel-casino, with a 90% o pancy rate, operated at a 21.8% marg considerably improved during the two years after management tight its credit policies and cut down on plimentary junkets. Caesars Palace tributed nearly all of the company's f 1978 ordinary earnings. Late this Caesars will open 600 new rooms additional gaming facilities that sh make the casino even more profitabl fiscal 1977, for instance, Caesars' ca brought in $3,933 per square foot, more than rival MGM's $1,676. (M has more rooms and a larger casino.)

Caesars uses its relatively small, mate casino and big-name entert ment to attract the high rollers. Am singers, for instance, Frank Sin draws the most free-spending ca crowd. Among the many types of sp ing events Caesars sponsors in excha for extensive network television e sure, boxing brings in the most gamb money. One of Caesars' most impor corporate controls involves caref watching the high rollers and ra them on a 1-to-6-point scale, depen upon how long and how much they g ble. Big gamblers often get complim tary air fare, hotel rooms or both.

In its attempt to duplicate this succ Caesars New Jersey, Inc., 85% owne Caesars World, is developing a 528-r hotel on the Boardwalk, including a c no about 60% larger than the Las V casino. Caesars hopes later to buil more luxurious hotel on a second Bo walk site it has leased.

Considerably further down the roa the prospect that some other states legalize gambling. Presumably, Cae World will be ready and willing to s them. This is the message that McE is carrying to Wall Street. Why should care? After all, his stock already ha market value of $250 million and made a lot of paper millionaires. there's a reason. Caesars Palace has r tively little equity capital; it will nee to continue expanding. Which me that one day it will need Wall Street.

Has Wall Street been persuaded? N ther Merrill Lynch nor Paine Webber say, but one gets the feeling that t would like to see more of a track rec before they recommend the stock their legion of customers. Consider the record, considering the "industr considering Caesars World's huge capi requirements, considering that the st already sells at 20 times earnings, it's wonder they're skeptical. ■

Reach. That's what you'll have in Arkansas. We're the hub of America's biggest market: over 70 million people who can be reached in a single day. A location in one of our fully developed industrial parks or port sites gives you easy access to interstate, waterway, rail and air transportation. Write us, or call, the Arkansas Industrial Development Commission, State Capitol, Little Rock 72201. 501 371-1121.

ARKANSAS

Survival of the fittest.

We build machinery for an unforgiving world. A world where freezing temperatures, or abrasive dust, or an unexpected gullywasher are no excuse for a wasted hour. A world where the stakes are high and you seldom get a second chance to meet a deadline.

So we build Clark products with rough conditions in mind. Then back them with a worldwide network of dealers who know how to keep them fit. With factory-trained mechanics. Healthy parts inventories. Everything it takes to keep our customers up and running.

In our world, only the fittest survive. That's why, year after year, the tough jobs come to Clark.

Clark Equipment Company, Buchanan, MI 49107.

Clark gets it done.

lark crane delivers the world's largest
ctric motor.

Clark lift truck works around the
ck unloading ships.

Blocks of frozen orange juice get a lift from Clark.

Clark's Melroe Bobcat loader maneuvers a big load in tight quarters.

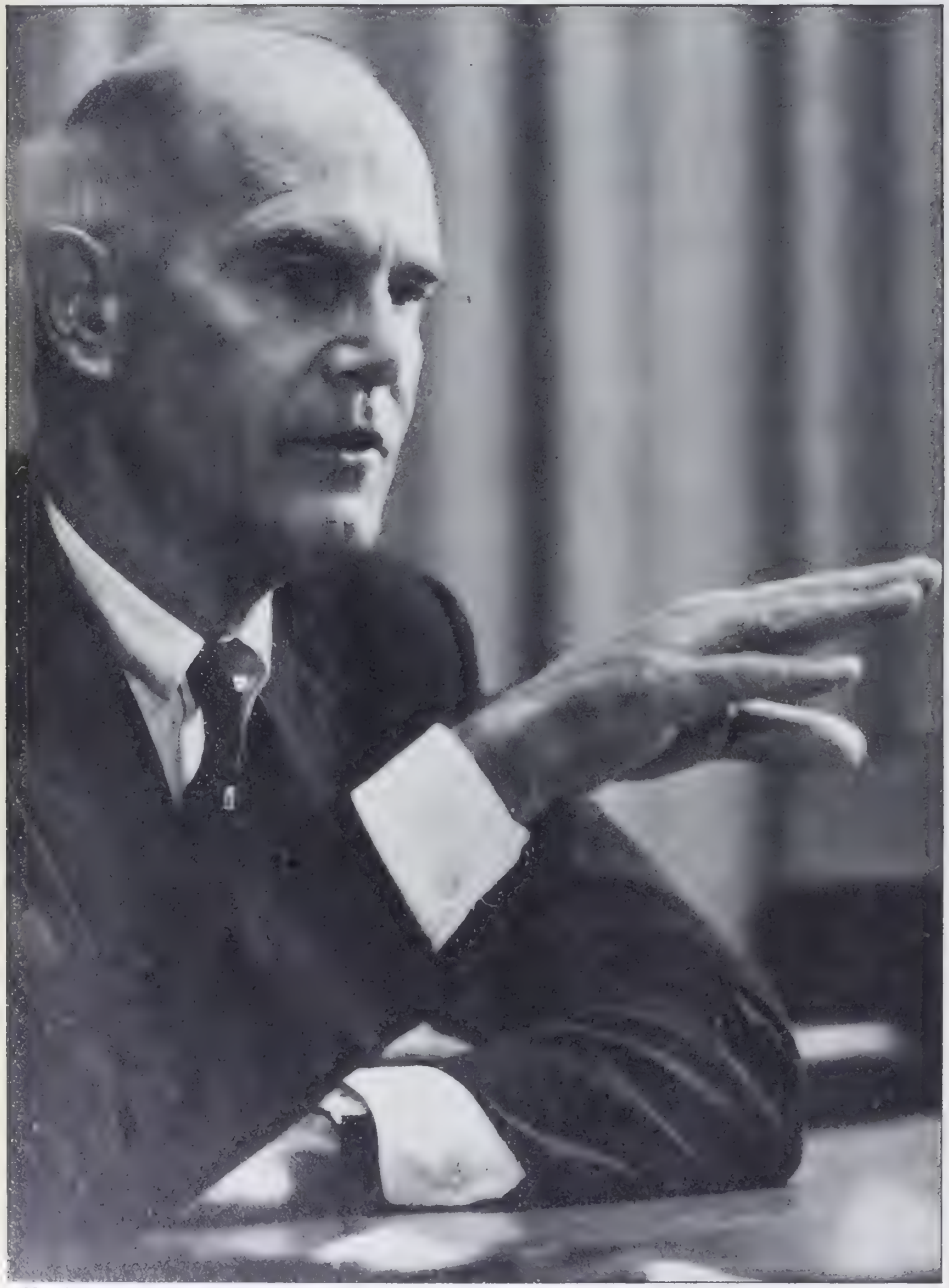
Underground marble mining—a dusty job for a Clark 125B loader.

The world's largest planetary axle gets a
pre-installation checkup.

CLARK

An aristocrat among banks, Bankers Trust tried to adopt the common touch. It didn't work, but now this $26 billion bank knows who it is again.

Bankers Trust finds itself



Alfred Brittain III of Bankers Trust
"The trouble with you," the letter said, "is you're in love with this bank."

PONDER THESE somber facts ab Bankers Trust New York Corp. sets, $26 billion), the holding c pany that owns New York's huge Ba ers Trust Co.: Among the 28 U.S. ba with assets of $5 billion and over, Ba ers stands near the bottom in profita ity. Its return on assets last year stoo 32 cents per $100, about half the gr average; return on equity was 10% c pared with 13% for the group. W most U.S. banks had record years 1978, Bankers was not able to match own earnings record, set in 1974. Du the banking crunch in the last recess Bankers' loan-loss record was among worst nationwide.

Nevertheless, things are looking up Bankers, which at $6.47 a share last y was up 28% from 1977, and this year be better. For this turnaround, credit quiet determination of Alfred Brittain 56, the bank's chairman and chief exe tive. Just as he refuses to blame bank's troubles on his predecessor wasn't as if I were just an errand boy,' says, shouldering some of the respo bility), he hasn't shrunk from mak some very tough decisions since he came CEO in 1974.

Bankers' decision to get out of re banking in metropolitan New York selling its 89 branches to the Bank Montreal is one such decision. This enable Bankers to eliminate costly o head and improve its balance sheet will reduce assets by about $1 billion yet increase stockholders' equity by estimated $20 million. (The price is t much in excess of book value.)

With the ever-mounting costs of o head and furious competition from ants like Citibank and Chemical, re branch banking became prohibitively pensive for Bankers Trust. Hencefo Bankers will concentrate on bein wholesale bank—that is, lending mo to big corporations. "We were lik shotgun in our lending business in past," says Brittain. "We now are dir ing our human resources away from approach that everything is out th and trying to zero in on a smaller num of the largest companies."

Bankers Trust's problems began in mid-Sixties and early Seventies whe pushed into the retail consumer mar and expanded aggressively into a hos other areas: international, real estate construction lending, as well as lend to smaller, so-called middle-market c porations (sales less than $100 milli Prior to that period, it was mainl carriage-trade wholesale bank caterin large, blue-chip corporations and weal individuals, many with 60-year ties to venerable trust department.

Under Brittain's predecessor, Willi H. Moore, the bank's retail branc doubled to 169 from 1966 to 1972. M over, its headlong rush into real est

middle-market lending bloated
kers' loans from $7 billion to $12
on in the two years from 1972 to
alone. When the 1974-75 recession
Bankers Trust staggered under the
ht of its problem loans that reached
billion by 1976; earnings declined
ly to $4.76.
he only rap really was the amount of
estate loans, and that was a bum
agement decision which I was part
penalized our ratios," says Brittain.
ining our markets more clearly is a
nore efficient. Our strategic planning
tter today."
ot all of the bank's past moves have
disasters. The expansion into inter-
nal markets—with offices today in
ountries—has paid off beautifully.
gn loans have gone from $1.6 billion
72 to $6.3 billion today, and foreign

***now are directing our hu-
resources away from the
roach that everything is
there, and trying to zero
n a smaller number of the
est companies."***

stments account for over half of
ngs.
nkers Trust also boasts the largest
department in the U.S., with $29
on in assets under management.
trust and pension business, howev-
only marginally profitable because
w management fees and high over-
. It is a drawing card for other
ness. Bankers is also beefing up its
orate financial services, which in-
e private placements and merger
acquisition. And with daily volume
er $4 billion, its securities trading
rtment excels as well—it is among
most profitable of such operations
ng commercial banks.
ttain tells a FORBES reporter about a
r he once received from one of his
w directors. "The trouble with you,
it said, "is that you are in love with
bank." Brittain pleads guilty, and he
nkly embarrassed by the low esteem
which the stock market currently
s his company. Its common sells at
y half book value, at five times earn-
and yields nearly 9% on its $3 an-
dividend. But this chiefly reflects
past. Now, with the money-losing
l operation gone and with non-inter-
aying loans reduced by $250 million
a year ago, Bankers is bound to
a better year in 1979. Beyond that,
potential is certainly there. If Brit-
can get its return on equity close to
group average for big banks, it could
y earn $9 a share or more a few years
If Bankers continues to improve at
present rate, the stock market will
ably take care of itself.■

THIS IS ALL IT TAKES TO COLLECT MANY PAST-DUE BILLS.

GC Services Corp., America's most progressive national collection service, has collected over three million delinquent accounts. Chances are we've already collected from many people who owe you money today. And we can get started on your past-due problem for 28¢ per account plus postage, with no contingency fee . . . you keep the entire remittance. If the price sounds right, let's get together. Use this coupon or phone M. D. Peters at (713) 777-7666.

GC Services Corp.

Dept. F, 6330 Gulfton, Houston TX 77081
(713)777-7666.

Please contact me about your collection services costing 28¢ per account plus postage, with no contingency fee.

Name
Company
Address
City State Zip
Phone ( )

FOR SALE:

8,000 ACRES IN NEIGHBORHOOD OF WHITE HOUSE.

When you choose to locate your company in Fairfax County, Virginia, you can select a site from over 8,000 acres just 30 minutes from Capitol Hill. That kind of access is what brought over 1,200 major corporations and associations here, including Honeywell, Mobil Oil and TRW. And not only will your move to Fairfax County put you in close proximity to the legislative and regulatory bodies of government, it'll also remove you from many big-city problems.

Of course, the social, cultural and aesthetic advantages of life in Fairfax County are another story. That's not for sale, it's free. F-4

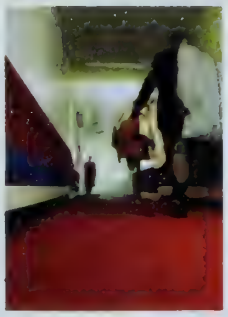
Name/Title
Company/Phone
Address
City
State/Zip

FAIRFAX COUNTY, VIRGINIA.

THIS MAY BE THE BEST PLACE IN AMERICA FOR BUSINESS TO WORK.

Inquire in confidence to: Mr. David Edwards, Executive Director, Fairfax County Economic Development Authority, 8330 Old Courthouse Road, Suite 800, Tysons Corner, Vienna, Virginia 22180 Phone (703) 790-0600

We control the basics.
As the world's largest producer of valves, fittings and pumps, you'll find us involved with the needs of basic industries. Just as we have been for over a century. And today we also manufacture water and waste treatment components that help industry meet new government standards.
Fluid and pollution control. A capability of Crane Co., where we've demonstrated that concentration on essential products for essential industries helps build a strong and growing business. In steel. In building products. In aerospace and aircraft. And of course, in fluid and pollution control.
Crane Co., 300 Park Avenue, New York, NY 10022
CRANE



If you're cramming a three day business trip into one, there's no place like an airport Hilton.

We know how it is. Into town for a quick meeting. Then fly out to another. So for just that kind of trip, we suggest any of our 26 airport Hiltons.

We'll arrange conference rooms, delightful meals, any business needs you might have. And at the end of the day, after your last meeting, stay with us and let Hilton Rainbow Service relax you. We've got spacious accommodations. Famous Hilton cuisine. And a gracious staff. So next time you're planning that whirlwind business trip, plan it around our airport Hiltons.

For information and reservations call your local Hilton Reservations Service or your travel agent.

There's no place like HILTON.

y, when you deposit a check in the bank around the corner, does it e three days before you can use the money? "Prudence," bankers ly. "Working off the float," say cynics.

The floating check game

By Cynthia Saltzman

YEAR AGO last July Lewis M. Taffer, assistant counsel for the Senate Banking Committee, t a $90,000 house in Washington, The real estate agent gave him ten o put 10% down on the deal. Taffer to the National Bank of Washing- picked up two bonds from his safe it box, and carried them down the to E.F. Hutton & Co. The broker hem at a premium and promised he total of approximately $12,000 e business days—the customary pe- ccording to a New York Stock Ex- e rule. Taffer returned to E.F. Hut- ne following Thursday, picked up neck and headed back to the Na- Bank to deposit it in his checking nt. While standing in line he no- the check had been drawn on the of America in Los Angeles. This t it would take over a week to clear e might have trouble putting the y down for the house.

er was about to be had—had by the float game." Because he was a r, and worked for a Senate commit- boot, he was having none of it. He sted immediate credit, and the let him have it. But for those not on aff of the Senate Banking Commit- 's not so easy. For many in Taffer's ion the broker or the Washington or both, could have wound up us- e $12,000 for five days or more at arge. At current interest rates, the could have earned $23 on that one- float—no huge sum in itself but ssive indeed when multiplied by ns of checks.

ry day about $54 billion in checks ting between one bank and another U.S. Whenever possible banks play oat. Corporations also are among nost astute technicians at playing me. Often, too, ordinary citizens check a few days before depositing nds to cover it.

Sorting checks at the New York Federal Reserve
Seven tons of paper a night.

Float has been around since the first check. But it's more fun and more lucrative these days because the banking system has one foot in the future and one in the past; computers and automatic fund transfers have speeded up parts of check clearing, but other parts depend, as they always have, on the physical transfer of pieces of paper. Learn to use the fast parts and the delay to your advantage and there is money to be made.

That's one reason American Express Co., the old master at the game, asks you to keep your last traveler's check. It's a nice deal for them. If you can be persuaded always to carry a $50 denomination, you will have contributed $50 to their capital on which they pay you neither interest nor dividends—without having to render you any service in return. American Express, in fact, virtually invented the game of working off the float. When you buy one of their traveler's checks, they have free use of your money until such time as you actually cash the check and it is handed to them for payment. They also cash in on the float when you use your American Express card. American Express used to be so slow in reimbursing for customers' charges that some angry merchants started switching to bank cards, like Visa, which paid more promptly. Recently American Express has agreed to hasten its own payments but only in return for a

higher cut from the merchants.

The problem is that nobody seems to know how much of today's float is deliberate and how much accidental. The Federal Reserve Board is trying to find out and has just issued a report calling on banks to eliminate "remote disbursement"—writing checks on a bank, usually a small one, 3,000 miles away. And the Securities & Exchange Commission is cracking down on brokers who do it.

Another Fed task force has been studying another aspect of check clearing in Taffer's story—"delayed availability"—where you deposit a check but the bank won't let you at the funds for as much as 30 days. Lorin S. Meeder, head of the task force, says consumers have complained about this for a year and a half, particularly new account customers.

The widespread intricate manipulations of float have made a mockery of the Fed's prediction that "technological progress"—*i.e.*, computers—would have eliminated both "checks and [Fed] float" by now. Quite the contrary. In a little over ten years, the number of checks processed in the U.S. has nearly doubled—from 18 billion in 1967 to 32 billion last year—and the Fed now predicts it will be 60 billion by 1985.

Certain parts of the check clearing process have gotten faster—much faster. Checks are now sorted in most big banks by computers which process 60,000 to 75,000 checks per hour. There is a frantic race to get the money officially on deposit. If the processing computer breaks down, the checks can still be sorted mechanically and bundles tied by hand to make sure the big ones—the $10 million variety—get to the Federal Reserve or another bank. Figure it out: At 10%, the difference between getting $10 million on deposit today instead of tomorrow is theoretically $2,740. It doesn't take many $10 million checks to build a nice piece of change.

But while this automation has speeded up things at the banks and at the Fed's processing centers, checks are still pieces of paper that must be transported. Moving more than 80 million of them around every day by truck, courier and airplane offers other float advantages.

Federal Reserve float, in fact, which was supposed to be largely eliminated by 1976, has nearly tripled since 1967 to an average of $5.5 billion daily last year. One reason is the speed with which the Fed gives banks credit for checks deposited—within two days at the most. Since it often takes the Fed longer than that to collect from the originating bank, this well-intentioned gesture means both banks use the money simultaneously.

Among the nation's 14,900 banks, the Fed found, there is no uniform policy about when depositors will be allowed access to their own money. Nor is it covered by law—banks can have any policy they choose. Some banks, like The First National Bank of Athens, Ga., allow customers of long standing to write a check on a new deposit immediately. But for "someone we don't know," says Harold J. Brewer, assistant vice president and cashier, "we might hold the money for 30 days, or 20 days, or 14 days." Favoritism? Not really. Just custom.

New York's Citibank uses a complicated availability schedule, based on Federal Reserve figures of how long it takes to transport a check back and forth to various points. Citibank will hold the money for 3 to 20 days—3 days for New York, 20 for Alaska, or 6 for Chicago, 8 for Sioux Falls.

Savings and loan associations can be worse. The Dime Savings Bank of New York in fact faces a class action suit, brought by Jacob Rapp, an irate customer, who charged it violated a statute requiring "reasonably prompt payment." The Dime holds local checks for 6 business days and others for 15.

In a little over ten years, the number of checks processed has nearly doubled: from 18 billion in 1967 to 32 billion last year. The Fed predicts it will be 60 billion by 1985.

Supposing you're a New Yorker who deposits, at 2:30 p.m. Monday, a check at your neighborhood Citibank branch, written to you by a friend whose money is around the corner at a branch of Chase Manhattan. The bank routinely says it will take three days to clear even though the two banks are 100 yards apart.

Citibank sorts that check fast and delivers it along with thousands of others to the New York Clearing House Association, where sometime during the night Chase, Citibank, and ten other big New York banks exchange checks. (Over half of Citibank's checks come from other local banks.) The clearing house keeps score—adding up what Chase owes Citibank and Citi owes Chase—makes up a settlement sheet and takes from one account and gives to the other. So Citibank, barring a disaster which prevents the messengers from making it to the clearing house, gets credit for your money by the next day—Tuesday.

Now here's the rub. Chase has until 11 p.m. Tuesday to see whether the check is good, whether the signature is forged, the account overdrawn or the "friend" has stopped payment on the account. If that happens Citibank would wake up to the problem Wednesday morning.

So while banks get credit for your money almost immediately, they claim delayed availability covers for the possibility that credit will be revoked—if the check bounces. (There is no notification if all goes well—as it does virtually 99% of the checks.) Ban prudence? Perhaps, but it is also h profitable at today's superhigh in rates.

When you talk to many bankers availability, they begin to spin off ta those worst-case possibilities. Few tion correspondent relationships, o flights to San Francisco, Atlanta New York are frequent, that major b in those cities all employ couriers meet flights and bring in checks at vals as brief as 60 minutes.

Phoenix Hecht Inc., a Chicago management consulting firm that check clearing studies by opening checking accounts in 120 cities a the country and sending checks bac forth, says even the collection pr takes no more than about a wee anywhere. If you're in Boise, Idaho, Richard J. Poje of Phoenix Hecht, a York check will be collected in four Every day the bank holds your ch after it's been credited for it—the makes a clear profit.

In defense of the banks, it shou remembered that retail banking i highly profitable; working off the helps recoup costs. Without profits the float, the banks might have t crease charges—or eliminate service

Says Oppenheimer & Co.'s bank lyst Mark Biderman: "Whenever have a system where there is an inc payment, you create all sorts of i ciencies. Banks have to get paid fo services they provide, and if they get paid directly, they're going to t get paid in other ways."

With money as dear as it is, s corporate treasurers do everything can to work with minimal cash bala This leads many of them to try to their own checks from collection f long as possible.

Among the classic cases are J.C. ney and Montgomery Ward, which disbursed some checks out of We Montana National Bank (assets, million) in Missoula, Mont. Borden pays some of its bills from the Bar Hawaii. The whole system thrives o fact that the Fed will credit the rece bank in two days at the most. checks are credited and debited the day. But it may take longer than two to collect from a place like Missoula

That's the sort of thing the Fed i up with. Missoula's Western Nat says Penney's and Ward's accounts be "discontinued" some time this Merrill Lynch, following a class a suit, has agreed to stop sending checks to New Yorkers from the Coast. But for dividend checks, M Lynch will continue to use distant b in order to slow down its outflo funds. As long as interest rates are l the great game of float will go on.

Marie Enders, Special Clerk, Accounting. C&NW employee for 31 years.

"Secretly, I always wanted a train set."

mployees do a better job when
've got a piece of the business.
cago & North Western employees
their business, down to the
spike.
o they work a little harder. Smile
tle bigger. Frown less. And take
e pride in their jobs.
ecause we're employee owned,
e good at cost control. When we
nd, we know where the cash comes
n. So we make sure we know where
going. And how far.
ince 1972, when C&NW became
first and only employee-owned
oad, we've made a profit every
but '75. (Remember that "reces-
sion"? The deepest since the Great
Depression.)

We bounced back strongly in 1977 and it'll be even better in 1978 and we've improved track and added new equipment: 450 new and rebuilt locomotives and over 6000 new freight cars.

In all, we've spent $490,000,000 during the past six years to improve our roadbed, rolling stock and service to shippers.

EMPLOYEE NORTH WESTERN OWNED

At the same time, we developed the credit standing to finance $325,000,000 of this spending with long-term debt and leases.

Plus we've paid off $230,000,000 of long-term debt and met our lease obligations.

We've innovated with high-speed piggyback service, grain and coal trains.

Next? More improvements: In equipment, track and services. We're also working toward a new route to the vital western low-sulphur coal fields. Yes, Chicago and North Western is on the right track.
All aboard!

Here's a brand new Wall Street house that's flourishing while others are falling by the wayside. What's its secret?

Brean Murray's secret

By Robert J. Flaherty

WHILE OTHERS were wringing their hands over the disappearance of the small Wall Street research boutique and predicting that the investment business would soon be concentrated in a few hands, A. (Anthony) Brean Murray, in December 1973, quietly founded Brean Murray, Foster Securities with only $100,000 in capital.

Foolhardy? Can you call it foolhardy when this five-year-old firm survived two major market crashes, a continuing shakeout in The Street and last year netted over $500,000 on revenues of $3.2 million? Brean Murray is no threat to Merrill Lynch, whose revenues last year were well over $1.5 billion, but it does shame Merrill Lynch when it comes to profitability. Whereas Brean Murray's pretax profits were 18% of revenues, Merrill Lynch's were only 7.5%. Return on equity capital? About 50% for Brean Murray, 11% for Merrill Lynch.

Why did Brean Murray flourish where others failed? The fast answer is: good management. But that is too easy. So we'll describe who Brean Murray is and what he did.

Born in Dublin, Ireland, in 1937, he came to the U.S. as a teenager to join his widowed mother in New York City. After the close of the Korean War he joined the U.S. paratroopers. After graduating from Villanova University he worked for IBM as a salesman and was making $25,000 a year within two years—a huge sum for a young man in his 20s in the early Sixties. He also had an ulcer. "I liked IBM, but knew I couldn't get rich there," he recalls. He quit and went into the brokerage business, with what is now Dean Witter Reynolds. First year earnings selling securities to individuals: $8,000. That was no good either. So he moved to another firm, now Shearson Hayden Stone, which permitted him to switch to institutional sales. At age 28 he [illegible] full partner. His first venture capital deal bombed, but he finally got really rich by backing three ex-IBMers in a new venture, Shared Medical Systems. SMS is now a $63 million (sales) company and Murray's $85 investment is worth $1.3 million.

Eager for more deals, Murray joined Coenen & Co., but withdrew after a policy dispute with its owner. "I wasted three years of my life," he says bitterly.

In December 1973, with the market poised for a terrible crash, Murray opened the door of his own firm. It was profitable from the first, but it needed more than just a great salesman. It also needed great research. Because to open doors it needed something unique to sell.

"Institutional research firms still have the herd instinct," Murray said, and looked around for someone who could function as a lone wolf. Enter 48-year-old Norman Fields. Fields was a quiet, shy security analyst who made his name at Dreyfus Fund under Jack Dreyfus and later moved to Abraham & Co. in 1961. When the latter firm was absorbed Lehman Corp., Fields felt like a fish of water in the big firm. His friend . partner John Schulz, the former FOR columnist who ran portfolios at Ab ham & Co. on Fields' stock picks, r Murray and the two hit it off. So Sch joined the Murray firm in March 19 bringing with him Fields.

From then on Brean Murray was and running. It did $1 million in 19 $3.2 million last year and expects to $5 million this year. That's real gro at a time when stock trading has b rather flat and the market almost con tently disappointing.

Having met Brean Murray, let's m on to Norman Fields, who is strictly analyst. "I expect to own a stock f year or so and often end up holding i five years," he says. "My ideal is to an undervalued stock and time my chase before emerging dynamics m the value apparent to others. When stock is bid up and overpriced, I Ideally I have made *ten* times my mo In reality this goal has been achieve but not too often."

Nothing terribly original there. Fields' execution is something else a

Research director Ralph Kaplan, A. Brean Murray and analyst Norman Fields
An affection for stocks that are "second-tier, but not garbage."

In 1975 he had the guts to buy H Corp. at 8½, just after it reported a l quarter and The Street was certain cession was about to hurt it further. Fields is all set to receive his check Consolidated Foods Corp., which dered for Hanes earlier this year at share. That's a gain of over 600%.

Naturally most investors wou have bought Hanes back then, w shows why Fields does so well. " myself a speculator," says he. "It's

"It's worth taking chances when you're young so you can do what you want when you're older."

—Bill Sargent
Marine Biologist; Oceanographer; Underwater Photographer; Expert in Oceanic Law; Consultant to World Governments, Private Business and Environmental Groups, Archaeologist; Novelist

It could be argued that Bill Sargent, at age 32, is already doing what he wants to do. He's done, or is into, the following:

Participant in the international Law of the Seas Conference" in Caracas, Venezuela, 1974.

Working under a grant from MIT to develop a TV series on ocean life.

Producer and host of his own radio show.

Hosted TV talk show centered on ocean life and international law.

Lived aboard Atlantis II for six months on research project that took him from Woods Hole, Mass., to Africa, to South America, to the Baltic Sea and back.

Shot TV film aboard Soviet trawler operating off East Coast of U.S. (and learned salty Russian).

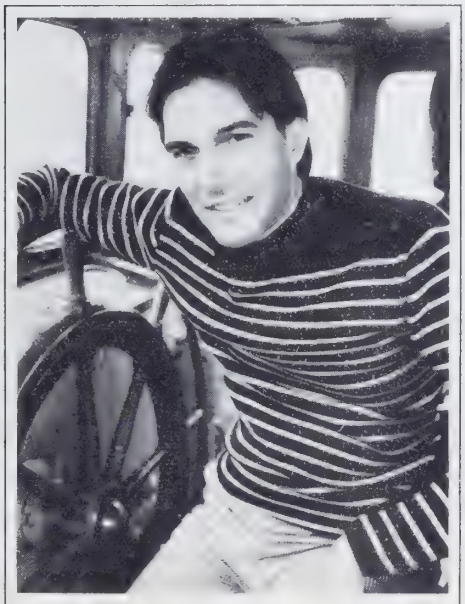
With a friend, discovered three unknown archaeological sites in the mountains of Colombia.

Currently writing novelization of Howard Hughes's frustrated attempts to raise a sunken Soviet submarine.

What's left Bill?

A lot, really. One of the most important things that has happened to the oceans in my lifetime is that we have started to see below their surfaces. This is changing our concept of the oceans, from a last frontier that must be conquered to a fragile environment that must be preserved. I want to be part of this process.

"And five years from now I would like to have my own TV show and have my book published—to communicate the feelings and appreciation I have about our natural environment to the widest possible audience."



The same kind of men who read Time and Newsweek read Playboy. Only a lot more of them read Playboy.

What do you do while you're catching your breath?

"Well, you've got to remember that much of what I get paid for, other people do for pleasure. But my wife and I do travel a lot. We can't get enough of that.

"I shoot a lot of underwater footage on my own time because I have such great visual interest in ocean life. I'm a movie buff. And we're busy putting together a new stereo system for the house and getting used to our zippy new energy-efficient car. We do as much skiing as we can. Changing diapers takes time, too.

"And reading. I have to do a lot of reading just to keep abreast of my own field. And I read to keep up with the world in general.

"Yes, of course I read PLAYBOY. I say 'of course' because I've been reading it for so long. It, more than any other magazine I know of, is involved in the mainstream of our culture and values. It's also a way of keeping up with the people who are shaping and changing things in this world. Besides, the PLAYBOY cartoons are great."

A typical Playboy reader?

Bill Sargent, son of a governor of Massachusetts, great-great-grandson of a great American painter, doesn't happen to be a typical anything.

But his lust for life is typical of the 14 million men who read PLAYBOY every month.

And you know what this kind of vitality leads to.

Sales. Lots of sales.

PLAYBOY men buy more skis than Sports Illustrated men. PLAYBOY men buy more new cars than Newsweek men. More PLAYBOY men own stock than Time men.

And it's that way in virtually every product category and compared to every newsweekly, sportsweekly or men's magazine.

And you can reach a lot more of these kinds of men—for a lot less money—in PLAYBOY than you can in Time or Newsweek.

The Playboy reader. His lust is for life.

Source: TGI, Spring 1978. PLAYBOY is a mark of Playboy. Reg. U.S. Pat. Off. © 1979, Playboy

common sense a speculator should make more than a conservative investor. The normal situation in the world is that low-grade stocks with high risk outperform high-grade ones with less risk. That's why I don't like stocks that are being followed by many other people."

Because Fields seeks stocks with hidden values, many of his past picks have become takeover candidates like Hanes. But he warns: "Never buy a company anticipating a takeover. They are too hard to time. Buy because of value and if a takeover comes—the value is realized that much quicker."

Hidden value can be realized in many ways other than by a takeover. For instance, Fields bought Oxford Industries, the textile company, for under $25 a share. In mid-1977 Oxford spun off its glamorous business machine division, giving 1½ shares in Lanier Business Products for each share of Oxford. Now Lanier alone sells for $28 a share, while what's left of Oxford sells for $10 per share. A 100% profit. Not bad.

To package Fields' ideas and combine them with those of Brean Murray's other half-dozen analysts, Murray hired Oppenheimer & Co.'s widely respected publishing and photography analyst Ralph Kaplan as director of research. In his own right Kaplan is an individual who has been willing to walk against the wind.

In 1970 he was the first analyst to predict the demise of both *Life* and *Look* magazines in his negative report on Time Inc. and Cowles Communications Inc. A Harvard English major, Kaplan is the perfect choice to compress the inarticulate, but brilliant ramblings of Fields into readable, bullet-like prose for quick reading by Murray clients.

About 100 stocks are followed by Brean Murray. All 100 have to pass the criteria of being "attractive, misunderstood or neglected." Of these, the following baker's dozen rank as buys right now.

Because he likes to go where he has little competition, Fields has begun following conglomerates; he happily notes that most other analysts avoid them because they are hard to analyze.

Borg-Warner (NYSE), he says, looked like a fabulous buy even before its proposed merger with Firestone Tire & Rubber. Now the possibility of turning Firestone around makes B-W look even better. B-W's estimated 1979 sales (without Firestone), $2.5 billion; earnings per share, $5.50; price, 27; P/E, 5.

Two conglomerates he regards as buys because they have so improved their debt-to-equity ratios that he thinks they are poised to try a deal for a very large company. One is Studebaker-Worthington (NYSE): estimated 1979 sales, over $1.5 billion; earnings per share, $6; price, 29¾; P/E, 5. The other is Martin Marietta (NYSE) which made a vain pass after Peabody Coal. Martin's estimated 1979 sales, over $1.9 billion; earnings per share, $6; price, 31; P/E, 5.

Fields likes IC Industries (NYSE) because of its divestment potential. It is diversifying by buying good companies at a big premium. If it can get rid of its ailing railroad—as Northwest Industries did in 1970—IC will get a tax-loss bonanza to shelter earnings. IC's estimated 1979 sales, over $3.5 billion; earnings per primary share, over $6; price, 27⅜; P/E, under 5. Speculation? Yes. Fields admits that he is—"a speculator but not a trader; I expect to wait a year or more."

He adds: "Speculative stocks as a group normally outperform the conservative stocks—they have to; there is more risk involved." (If you pick the *right* speculative stocks at the right time, that is. Most of us would be well advised not to take Norm Fields' advice too literally.)

Their stocks are "attractive, misunderstood or neglected." You get the picture why Brean Murray Foster Securities is becoming so successful in a Wall Street full of dead and wounded. It specializes. Isn't that how you become successful when you have to compete with far bigger people? By standing out from the crowd? By having a unique selling proposition?

Okay, conglomerate stocks. But would you guess what else Fields especially likes? Textile stocks. That's right. Few people follow these stocks because they don't think they can compete with foreign producers and because they expect a downturn in consumer spending this year. Fields—remember he bought Hanes when no one wanted it?—thinks that Washington will bail out the industry because of all the jobs it provides. He likes Dan River (NYSE), which he expects to earn $3 this year; it sells around 14. But his favorite textile stock is Cone Mills (NYSE) which he thinks will earn $7 a share and now sells for 26, less than four times earnings.

Research Director Kaplan also likes offbeat stocks but has his own choices:

"The most exciting stock": Computervision (OTC). Of its sales, 70% are in devices for computer-assisted designing. This market is growing 50% a year because the cost of computing is decreasing, while the cost of engineers and hand drafting rises. Kaplan estimates Computervision's 1979 sales at $104 million; earnings per share, $3; stock price, 27¼ bid; P/E, 9.

Why is a rapidly growing, high-technology stock selling for a P/E of only Blame the remaining 30% of sa which are in machinery to help ma wafers for semiconductors. That i risky business, with profit problems an industry facing a downturn. A blame past financial bumbling; the co pany lost $4 million in 1975 and so m managed inventories that they w higher than today even though the co pany has tripled in size since then.

Others, more cautious, will wait see how management controls inv tories during the next semiconduc downturn. Kaplan hopes he is buyin company that has turned around bef Wall Street knows about it.

Kaplan has bought a couple of sm companies in the material-testing bu ness. His reasoning is this: With c sumerism growing and with Washing pressing Detroit to build lighter c businessmen will have to experim with new materials and with more tensive testing of old ones for durabi and safety. Kaplan's picks:

Instron (Amex) will earn $2.35 year and sells for around 18. MTS S tems (OTC) will earn $2.35 and sells 19. These are smallish but not tiny co panies. Instron has 985,000 shares standing and sales volume will be million this year, MTS (2 million sha will do $54 million.

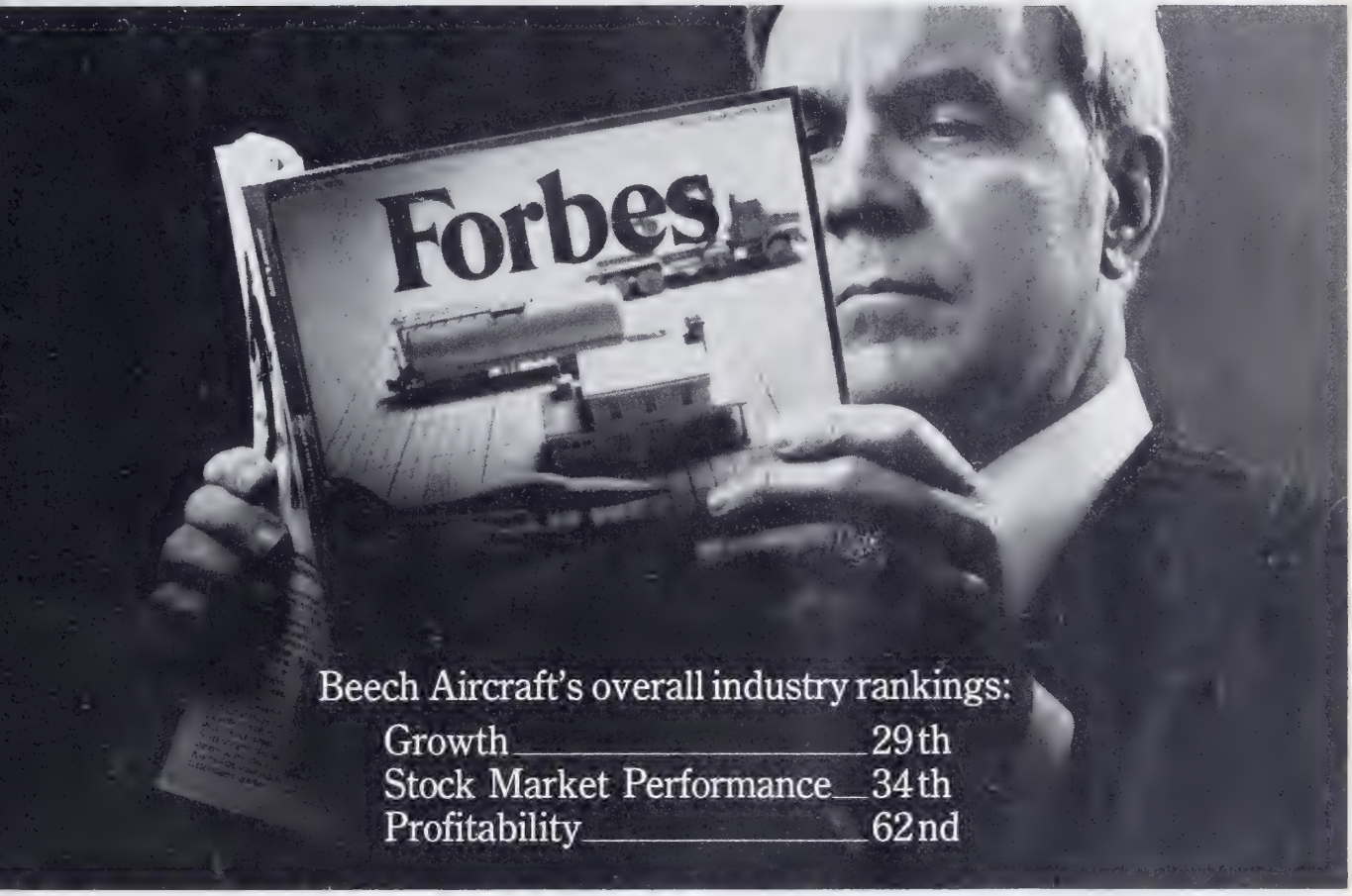
While American Express greedily c McGraw-Hill, Kaplan has his eyes couple of much smaller publishers. is IMS International (OTC), which computers to keep score for the phar ceutical industry. A tiny business? No all. IMS will do $135 million this y and earn $2.30 a share by Kaplan's mates. Price: around 17. The comp turned down a $20 offer from CBS.

Kaplan is also high on Scholastic M azines (OTC), which has a lock on school newspaper market. He expec to gross $127 million this year and $2.70. Recent price: about 17; P/E 6.

Still in publishing, Kaplan is bullish financial printers because of the incr ing demands for disclosure made by Securities & Exchange Commiss That means Bowne (Amex) and Pan Press (OTC). Both have great bala sheets and very low multiples (6 Bowne, 5 for Pandick, based on Kapl estimates for 1979).

Summing up Brean Murray's pic Fields associate John Schulz calls th "second-tier but not garbage"—you the picture of why Brean Murray, Fo Securities is becoming so successful Wall Street full of dead and wounde specializes—in second-tier, nongarb to be sure—but isn't that how you alw become successful when you hav compete with far bigger people? standing out from the crowd? By ha a unique selling proposition? Now know Brean Murray's secret. ■

Our annual report from Forbes.



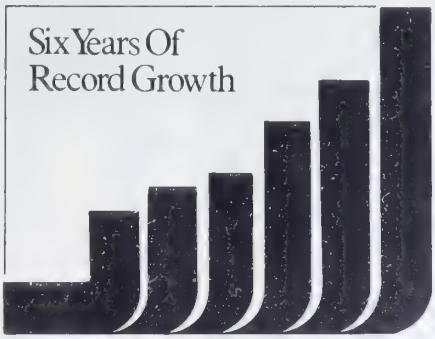
Every year *Forbes* magazine makes an exhaustive study of corporate America. This year's study covers 1,006 of the nation's largest companies. Including Beech Aircraft.

As one of these 1,006 we ranked 29th in growth, 34th in stock market performance, and 62nd in profitability.

Forbes also reports that we ranked 2nd in both profitability and earnings per share growth within the Aerospace/Defense industry. An industry which, by the way, many analysts have projected as a growth industry through the 1990s.

Perhaps Beech Aircraft is one of the reasons for their optimism. We've just finished our sixth consecutive year of record-breaking growth in both sales *and* earnings.

And looking at the last 15 years, the value of a single share of Beech Aircraft stock has increased more than 529%, through growth, cash dividends, and stock splits, an average of over 35% per year from 1964 through 1978.



	1973	1974	1975	1976	1977	1978
Net sales	$204.6	$241.6	$267.1	$346.9	$417.4	$527.5
Net income	$10.0	$12.4	$15.6	$20.6	$25.4	$35.5
Dividends	$3.1	$3.6	$4.4	$5.3	$7.0	$8.3

All figures in millions

This kind of performance doesn't just happen by chance. It happens by design. Both product and corporate design.

Our product quality is recognized around the world. And at Beech Aircraft, we believe in putting just as much careful attention to detail, stability, integrity and performance into our company as we build into our products.

For a copy of our own annual report, write to: Beech Aircraft Corporation, Dept. K, Wichita, Kansas 67201.

Beech Aircraft Corporation

Beechcraft

Beech builds quality airplanes. And vice versa.

Faces Behind The Figures

We never worry over money

You've got to hand it to Roger Tamraz, the self-styled "financial commando" who seems to have made a good thing out of turning Middle East gold into Western dross. The latest effort of his thinly capitalized ($28 million) First Arabian Corp. is a plan to buy two bankrupt oil refineries, one at Come By Chance, Newfoundland and Commonwealth Oil Refining's facility in Puerto Rico.

But refineries in eastern Canada are running at 60% of capacity, and many Caribbean operations are also in trouble. Compare that with U.S. refineries running at about 90%, and it is hard to imagine how Tamraz' shadowy backers will do much business.

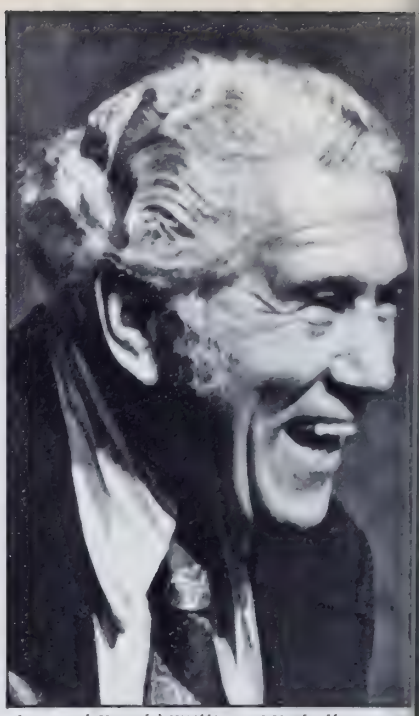
Tamraz says the game he is playing has nothing to do with near-term profits but rather with asset values and oil politics. The 38-year-old Harvard Business School graduate calls the marginal refineries "a classic case of countercyclical investment." The Newfoundland refinery is priced at $219 million—half the plant's replacement value. Then, he adds, "In the refinery business today, supply is more important than price. With our Arab connections, we can insure a source of crude."

Who are his Arab connections? Lebanese-born Tamraz won't say. His backers in the Puerto Rico bid, a group called Arabian Seaoil Corp., are supposed to be Saudi royalty. The major shareholder in First Arabian is Tamraz' father.

How have Tamraz' regal and not-so-regal backers fared? Not very royally. Tamraz first came into view when Kidder, Peabody assigned him to help rescue the bankrupt Intra Bank in Beirut back in 1970. In 1973, he left Kidder to set up First Arabian. But look what happened: The $2.4 million investment that First Arabian put into Edward Bates & Sons, a London merchant bank, went down the drain. In 1975, Tamraz put his Harvard classmate, Saudi Arabian investor Ghaith Pharaon, into Detroit's Bank of the Commonwealth after it had been all but wrecked by Donald Parsons. Pharaon tried to turn it around, but in 1977 unloaded it on First Arabian for $10 million. Pharaon, who had also owned a piece of First Arabian, got out of that holding, split with Tamraz, and went back to doing his own deals. The bank is breaking even now.

A marginal bank and now two marginal refineries? Are such items really bargains just because they are cheap? Yes, says Tamraz, because the price of U.S. oil must ultimately rise to the OPEC level. His backers seem willing to wait. Says Matthew Steckel, Tamraz' partner and chairman of the Bank of the Commonwealth, "The level we play on—we never worry over money."

Roger Tamraz of First Arabian Corp.
How long must his shadowy backers wait to get their money out?



General Foods' William Mitchell
Pop Rocks went over with a bang.

Pop, pop, fizz, boom?

There is a rumor going around the ki
set that Pop Rocks, General Foods'
candy entry which has sold some
million worth since its 1974 debut,
make your stomach explode.

It won't, says inventor William M
ell, but GF was concerned enough a
the spread of the story to spend an
mated $300,000 on full-page ads i
newspapers a month ago.

The ads were an open letter to pa
from the 67-year-old inventor, who
became a kind of minor celebrit
have always had a kind of basic pr
sional recognition, but it's nice t
known by the public as well," say
now-retired Mitchell, who worke
years as a scientist at GF. However,
sorry the recognition came the w
did: "I felt very strongly that the
pany should have ignored the run
says the grandfatherly Mitchell.

The candy itself is your ordinary s
corn syrup-coloring-flavoring mix
Before the mixture cools, it is shot fi
tiny carbon dioxide bubbles which
when the candy hits your tongue.

Mitchell invented the candy in
but the high startup and machinery
put off the GF management and Mit
contented himself with making up sp
birthday batches for his seven chi
and their friends. In 1972, a Canadia
manager hoped it could bolster sa
snack food sales in Canada. It did, se
out a month's supply in a few days; bu
didn't officially test market the stuff
several years later.

Worldwide, over 500 million pa
have been sold in spite of (or perhap
cause of) the rumors.

Kikuo Saito Untitled 1976 Acrylic on Canvas 89 3 4" x 69 3 4" William Edward O Reilly Inc N Y

Corporate Banking as an art.

At Bank of Tokyo Trust, banking is a product of imagination and creativity. An art, rather than a body of rigid rules. With the added advantage of direct access to our parent organization, The Bank of Tokyo, Ltd., and its more than $40 billion in assets and over 290 offices and affiliates worldwide.

So you gain international financing capability of great depth, introductions to Japanese and world business leaders, plus expertise in corporate finance, import-export trade, foreign exchange, cash flow management, off-shore banking, trade and investment information, and lease and project financing.

Compelling reasons why more and more Fortune 1,000 companies look to us for banking services. For prompt assistance, call or write: National Accounts Department, 100 Broadway, New York, N.Y. 10005, (212) 766-7924.

The Bank of Tokyo Trust Company

Member Federal Deposit Insurance Corporation

When Marriott does it, they do it ri

The Marriott people started in the restaurant business 30 years before they built their first hotel.

So they take keen pride in the food they serve to their well-traveled guests.

Only choice vegetables are used. Only the juiciest steaks and roasts. (The businessma dictum, "Head for a Marriott to find the best steakhouse in town," has a basis: Marriott's the only company to win an av from the American Angus Association!)

As a final check, every key dish at eve

Behind the scenes at a Marriott Hotel restaurant: pastry chef scrutinizes his creations.

t down to the strawberry cheesecake.

tt is sampled—soup to cheesecake.
his passion for doing things right extends
hout the hotels, from spotless rooms to
service. No wonder Marriott has three
more 4-star hotels than any other
ny, and the industry's highest occupancy.

To book at a Marriott, call a professional, your travel agent. Or toll-free* 800-228-9290.

*Except Hawaii, Alaska

Marriott Hotels

Anaheim, Atlanta, Atlanta Airport, Baltimore, Boston, Bridgewater, Burlingame, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Detroit, Ft. Wayne, Houston, Indianapolis, Kansas City, Key West, Lake of the Ozarks, Lincolnshire, Ill., Los Angeles, Louisville, Marina del Rey, Miami, Milwaukee, Minneapolis, New Orleans, Newport Beach, New York, Orlando, Philadelphia, Pittsburgh, Providence, Rancho Mirage, Rochester, Saddle Brook, N.J., St. Louis, Santa Barbara, Santa Clara, Scottsdale, Somerset, N.J., Springfield, Mass., Stamford, Ct., Syracuse, Tucson, Washington, D.C.

Faces
Behind The Figures

"Each bag of [Pop Rocks] candy has less than 3% of the carbon dioxide in a single 12-ounce can of soda," Mitchell says. "The worst thing that could happen to you, even if you were very bloated, would be that you would burp."

Capitalist roader

Despite all the talk about Peking allowing foreigners to make direct equity investments in China, opportunities for such joint ventures are likely to be few. Instead, a number of Hong Kong-based businessmen are willing to forsake equity and engage in what the Chinese call "compensatory trade"—swap might be a better word. They agree to pay the workers' wages and to provide China with all the necessary manufacturing equipment and technology. In return they get the plant's output for a set number of years. Once they get enough to cover costs and, presumably, a healthy profit, they turn control of the plant over to the Chinese. Such deals enable the Chinese to set up manufacturing operations with little capital investment.

One of the first Hong Kong businessmen to pursue such "compensatory trade" is Charles C.S. Lam, a 48-year-old native of Swatow, China, who came to Hong Kong when he was 8. Lam, who runs a large plant-and-shrubbery nursery in Hong Kong, is also engaged in shipping ventures. He first approached Peking three years ago about the possibility of setting up factories on the mainland. But it wasn't until last year that they let him set up a shirt and pajama factory employing about 1,000 workers some 40 miles from Canton.

Last month Lam put the finishing touches on an even bigger deal under which he and the Chinese will produce 55,000 shipping containers in Canton over the next five years. The containers will start rolling off the production line this September for delivery to Container Transport International. At $2,200 apiece, that works out to a $121 million deal. Lam says he will invest $12 million in machinery and material needed to start production and that CTI will send over specialists to help. Lam won't say how much the workers will be paid, but some people in Hong Kong suggest it could be as low as $50 a month.

Lam warns that "compensatory trade" can be very risky unless you are certain there is a buyer willing to take everything the factory produces. In the case of Container Transport International, Lam seems to have just that. The company says its operations have been hampered by a shortage of containers and that until now it has only been able to buy 200 a month in Hong Kong.

Another try for Olivetti

The ostensible reason for Carlo De Benetti's trip here last month was to introduce two new electronic typewriters into the U.S. market. But, much more important, the vice chairman and chief operating officer of Italy's $1.9 billion (revenue) Olivetti is shopping for a U.S. company. He wants one that will help him turn around his company's sick U.S. operation and give it a more competitive product line in the world office equipment market.

Hong Kong businessman Charles C.S. Lam
He's not waiting for equity deals.

Carlo De Benetti of Olivetti
Too many eggs, too many baskets

Last year, Olivetti's U.S. operati more than $30 million on sales of million—a grim performance for a subsidiary of a company that was the stars of post-World War II Euro

De Benetti figures he needs even to add a U.S. company in telecom cations so that Olivetti can stay petitive in the office-of-the-future ket. "We need to understand wh market wants," he says. "In most the U.S. anticipates the market ir many, France and Italy by about five years."

Meanwhile he expects Olivetti to start making money by next "We sell too many different produ too many different market segm he concedes. And he is focusing th pany where he thinks it has th shot—in printing calculators, bu computers, terminals designed t savings and loan market, and of c the new electronic typewriters. T quisition or joint venture he ho make will augment the business co er line and word processors.

Not just a hired hand, the 44-ye engineer is Olivetti's largest stockh Fresh out of Turin's polytec school, he went to work for a famil parts company that grossed $400,000 in 1958, the year he a During the next 18 years, De B turned the company into a $50 n business without any debt.

Then he got what looked like a c at the big time. The Agnelli fam cruited him to run Fiat in 1976; after four months and last spri bought his piece of Olivetti. So de is the Italian stock market, he had only $17 million to buy 13% multi-billion dollar company. ■

Full employment. That's our goal for the working tree.

America's need for wood is growing.

By the year 2020, government and industry sources expect demand for wood fiber to nearly double.

That's one reason why, at Potlatch, we feel a responsibility to utilize each harvested tree to the fullest.

For example, improved sawmill technology enables us to get more end product from every log we process.

We use that part of the tree crop not suitable for conversion into lumber—the tops of pine and hardwood trees, slabs, edgings and sawdust. We process them into pulp for paper and paperboard products.

We also use the bark and scrap residuals as fuel to supply part of our power needs.

Full employment of our working trees.

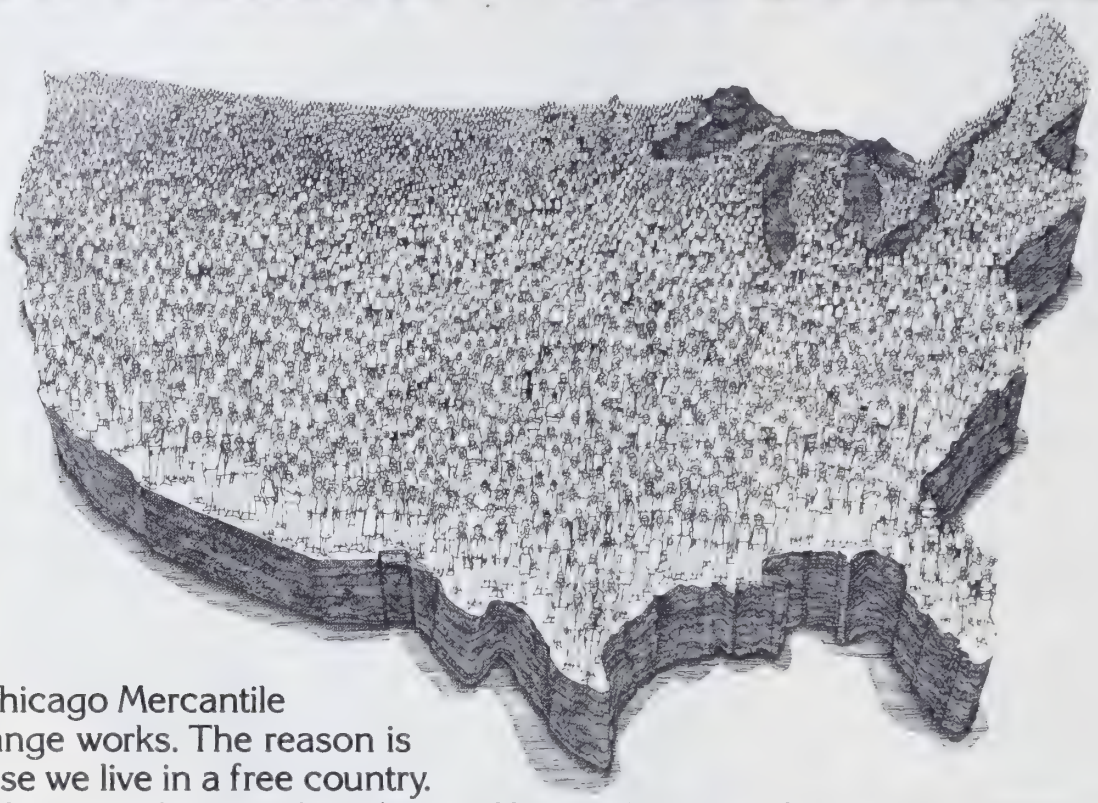
It's no small task. But it's the one that pays off in jobs and paychecks today, and homes and forest products tomorrow.

Potlatch Corporation, Public Information Office, P.O. Box 3591, San Francisco, CA 94119.

Potlatch

We grow the working trees.

The Chicago Mercantile Exchange. Assets: over 200 million free Americans.



The Chicago Mercantile Exchange works. The reason is because we live in a free country.

Sure, that sounds corny, but it's true. Here in America, the environment is right, the overwhelming majority of Americans sincerely believe in the free enterprise system, and those who have the need, desire and means to trade on the CME do so in great numbers. In fact the market is so attractive that a significant percentage of orders come in from every part of the globe. (It's no coincidence that the volume of futures trading done in the U.S. is greater than in the rest of the world combined.)

What's the attraction? With more than 20 futures contracts listed, ranging from Swis francs and U.S. T-bills to stud lumber and frozen pork bellies, businesses wishing to reduce the risk of future price and interest rate changes have an open auction marke on which to do so. Speculators hoping to capitalize on the very same uncertainties may apply their skills in the market with just as good a chance as anyone else of being successful.

The "chemistry" of all these divergent interests coming together on one trading floo is what has made the Chicago Mercantile Exchange one of the world's leading financial institutions. There's only one possible explanation for that. It works.

CHICAGO MERCANTILE EXCHANGE®

International Monetary Market® Associate Mercantile Market®

444 W. Jackson Boulevard, Chicago, Illinois 60606

A Federally Licensed Contract Market

MONEY & INVESTMENTS

The Economy

Debt traps

HIS POINT, *psychology*, not money or consumer debt, is the key to onomy. Until the consumer gets a scare thrown into him, the con- boom will go on and will continue g upward pressure on prices and st rates. A "good scare" means he will fear for a job or a business.

Right now the consumer is euphoric about his cash flow, if pessimistic about inflation. The result is he is spending like there is no tomorrow. Consumer debt has increased almost $150 billion a year in each of 1977 and 1978. Most of us have become blasé about big numbers. But ponder that one for a moment: It means that total consumer debt, standing at about $1.1 trillion, now amounts to about one-half of the Gross National Product.

Isn't a boom financed by borrowing like this likely to stop of its own weight? Isn't the consumer close to the end of his ability to borrow and to repay? The answer is no—and this is important. Psychology, not some magic number, will decide the limits of borrowing power at least for a long time to come.

Here's why: Consumer cash flow and consumer assets have risen as fast as debt. Bankers and moneylenders in general are not fools and they have been accepting easier terms. They realize the consumer remains a good risk.

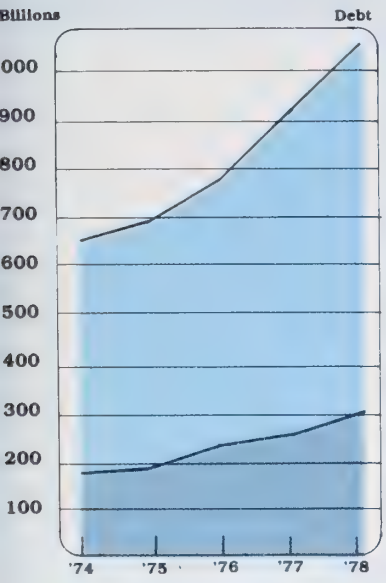
Unfortunately, consumer psychology is a bit unhealthy now—unhealthily good. Are home prices too high? They'll be higher a year from now. Should we borrow to take that trip? Why not? You only live once. That's the way people now think. Afford a new car? General Motors Acceptance Corp. now offers 48 months to pay for one. A credit union will provide 60-month terms. That means that in spite of inflation the monthly payments don't go up much.

Where does it all end? It ends when consumers and lenders both become frightened. What will trigger this? We don't know. Maybe it will happen when a certain number of people offer their supposedly valuable houses for sale and find there aren't any buyers who can afford a huge price plus a 10.5% mortgage rate. Maybe the farmers will do it for us—using their political clout to push their share of the national income so high that the rest of us can no longer afford new cars and new vacation trips.

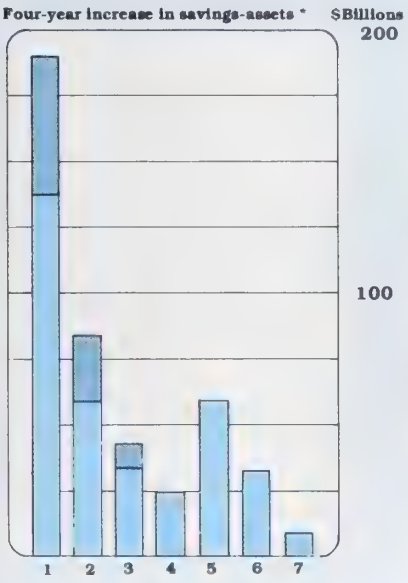
The boom has rested almost entirely on consumer spending; capital spending has been flat and so has overall government spending. The long-awaited recession will come when the consumer cuts back. When will that be? When your living-like-there-is-no-tomorrow neighbor tells you that he is postponing that trip to Europe because he is worried about the future and doesn't want to go any deeper into debt—or that he is out of a job. ■

Bearing the burden

Since the end of the last recession consumer borrowing has increased dramatically . . .



. . . but additions to savings in various forms should make that added debt bearable.



Debt

Mortgage debt — Consumer credit

Increase in savings-assets

1. Savings & loan assn.
2. Commercial banks
3. Mutual savings banks
4. Credit unions
5. U.S. issues
6. Tax-free bonds
7. Money Market Funds
6-month money market certificates

* Four years ending 12 31 78

Those who have predicted higher interest rates have been right for a year now, but they will not be right much longer.

WE'RE NEAR THE TOP

By Ben Weberman

A LITTLE MORE than a year ago I wrote that a forthcoming bond market rally "will make many money managers look extremely dumb for their current timidity." It's flattering but sometimes inconvenient that some readers at least remember what I write. Asked one of them recently: "Who's dumb now?" My reply is that FORBES has always gone on the principle that it is better to be wrong than to hide behind either/or reporting. You know—the kind that tells the reader the market will go up if it doesn't go down. Yes, I was wrong about interest rates during much of last year, but as my regular readers know, I try to think by myself and not run with the herd. My contacts include bond traders, bankers, economists and government officials, and I listen to them all and come to my own conclusions. I'm a reporter, not a theoretician. And there are many times when this eclectic approach yields better answers than rigid doctrine can.

A very smart Wall Streeter recently attributed his success to the mistakes he made; that is, he learned from them. What have I learned from being wrong in expecting that interest rates would go down? To find out I went back and reexamined my assumptions. I was correct in believing that we were not in a runaway boom and that there were no shortages of key goods. In other words, 1978 did not look like 1974. Where I went wrong was in failing to realize how Congress and the Administration would bow to special interests and set off an inflationary spiral that would be counteracted by the Fed through high interest rates. This is largely a man-made inflation, not a natural one.

Water over the dam. What next? Here goes my neck again:

I sat at a table with money managers of some of the largest fixed-income portfolios in the country recently at an Economics Club of New York dinner. In that small group alone we counted over $20 billion of long-term money waiting to be invested. At the same time, life insurance companies, which invest more than $35 billion a year, had only 50% of their estimated 1979 cash flow committed, *vs.* the 70% level that would be normal for this time of the year.

A survey by Merrill Lynch of 152 institutional investors who buy stocks as well as bonds found similar evidence of a reluctance to take positions. More than 43% of the respondents said they have more than 15% of portfolio funds in cash, an alltime record since the survey began in May 1976. This was up sharply from the 35% that were that heavily in cash in September 1978. The sidelines are getting crowded. Very crowded.

One day soon, some of these sideliners will step up their investing pace, and when they do, the market rush will be so rapid that those who are still waiting to buy long-term bonds may find that the 8.25% yields of a year ago have been passed on the way down.

We had a foretaste of this kind of buying panic in the week of Jan. 19. A nice little rally got under way, only to be nipped by news of the Iranian disaster. There was no news to account for the rally, but a slight flurry of buying caused prices to run up smartly. In just five business days, the Treasury 8¾s of 2008 moved up in price from $97.75 to $99.25. Yields dropped from 8.95% to 8.8%. As anyone familiar with the bond market knows, this is a big price increase and sharp decline in rates for a short period.

Let me add that I am not as optimistic as I was a year ago about the prospects for controlling inflation. The swing I see in bond prices will come more from supply and demand than from brilliant long-term economic planning. The current underlying rate of inflation is assumed to be 9%. Many of the governmental supports that caused our 1978 problems will still be around in 1979—with two major exceptions. The weak dollar added 1%, possibly 2%, to 1978 inflation. Another one-half of 1% was added by rising interest rates passed along by borrowers as just another cost.

That suggests a possible decline in the inflation rate to the 7%-to-8% area. The Iranian situation, of course, muddles the entire outlook, politically and economically. But assuming no international explosion, this modest decline in the inflation rate will be the signal for money managers to get off the sidelines. It will be the start of a better trend—and trend is what investors bet on.

Since the fall I have been suggesting that investors, instead of buying long-term bonds, would do just as well—perhaps better—if they bought four-year Treasury notes. These carried a high rate of return relative to long issues and held the potential for substantial appreciation as the yield curve returns to a normal shape where interest rates climb steadily from the short end to the long end.

The curve is still distorted. It moves up rapidly to a hump in the one- to two-year range and then eases back down as maturity gets longer. I still feel it is wise to be cautious and buy those four-year notes. They yield about 9.1%. But for those willing to take a chance, I would say that a 9% interest rate on long-term Treasuries will look very good for most of the next 29 years.

The investor who is sticking with the 10% to 12% short-term money market instruments in hopes of doing better by investing later this year in the long market may be sorely disappointed. So, my advice is: For those who must borrow, borrow short if you can, and go out longer later. For those who invest in fixed-income securities, move out of short-term securities and into medium-term, with possible longer-term bonds. Those who have predicted higher interest rates have been right for a year now, but they will not be right in their predictions much longer. ■

Ben Weberman is economics editor of FORBES

What makes Jacobsen Textron's kind of company?

• A strong engineering reputation. Created by 57 years of building fine outdoor power equipment for professionals as well as homeowners.

• A record of innovation. The latest example is the new Power-Burst® control, on both lawn mowers and snowthrowers, to deal with tall, thick grass or deep snow. And a Jacobsen garden tractor has been adapted to hydrogen power for experiments with this fuel of the future.

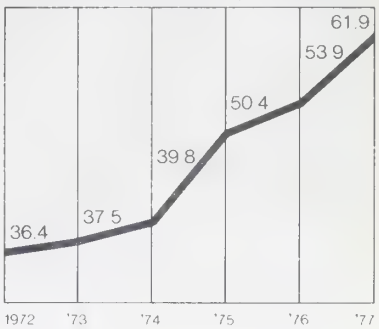
• Manufacturing, engineering and marketing expertise that Jacobsen can share with other Textron Divisions, like Homelite, Fafnir and Polaris E-Z-Go.

These strengths make Jacobsen Textron's kind of company. Together with the basic advantages that Textron Divisions enjoy: manageable size...recognized market positions...sound technology ...experienced management...solid growth records.

We'd want to invest in these companies, if we didn't already own them. And we back our Divisions with a continuing commitment to new product development. For the last six years, Textron-financed R & D has totaled more than 20% of pre-tax income. It now exceeds $60 million a year.

For more information, write Textron Inc., Providence, R. I. 02903.

RESEARCH AND DEVELOPMENT
(Millions $'s)



Ideas well managed. **TEXTRON**

This man has to find and sell the key corporate decision-makers in the E.E.C.
This man needs a pin-point breakout of car prospects in Singapore, Hong Kong and Manila—by make and model year.
This man has to know to reach the most first air travellers at the least possible cost.
This man must sell where high-end scotch consumption is at its densest.

They'll have their answers. In very short order. And absolutely free.

Introducing the Newsweek International Data Center.

n Asia and the Middle East, the kind of esearch international advertisers needed vas rare, to say the least.

n Europe it was more extensive—but nore expensive, as well. And little of it rossed national boundaries.

low, Newsweek International has athered all of it together.

Resource for Marketers.

he Newsweek International Data enter is a computerized repository for ne diverse media/market data so aluable to multi-national business: atistical tracks on major product use, narket composition and media habits f key consumers.

Vith retrieval access to this data in New ork and London, we can immediately urn your media/marketing queries into ard, useful facts.

xclusive and Extensive Data.

Much of this data is exclusive to Newsveek International, like the Asian rofiles study of 1976. For the first time, nose of you who market in the eight najor cities of Asia have access to definitive study of the lifestyles and nedia habits of Asian executives.

here's more. We've included data from ther, equally reliable sources:

he recently completed Pan European urvey is perhaps the first—and certainly ne most comprehensive—study of uropean executives which sets aside ne limitations of national boundaries.

The Australia-wide survey of readership of magazines, by the Roy Morgan Research Centre.

The McCann-Middle East media study—the only definitive media research yet done in the Middle East.

All of this data is now immediately available to you, without charge.

Grace Reiner, your Newsweek International representative in New York. Call 212/350-2556.

Telephone Link to Data Center.

You simply call your Newsweek International representative and pose your problem.

He then becomes the liaison between you and the Data Center. With startling immediacy, you'll have the information you requested on your desk, ready to feed into your decision-making process.

An Extraordinary Magazine Service.

Only Newsweek International offers this unique service to the international marketing community.

As far as we know, there's nothing quite like it in all the world: a comprehensive media/marketing data bank open to international marketers without charge.

But then again, there's nothing quite like Newsweek International itself...a magazine of global scope and universal authority...received, read and responded to by nearly two million key international consumers each and every week.

And ready...with data and with prospects...to help you sell in any of these major world markets.

Newsweek INTERNATIONAL

data center

SALES OFFICES: New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

When it comes to investments, playing it safe is no longer safe.

THE CASE FOR RISK

By Heinz H. Biel

SOME TECHNICAL analysts contend that if the market does well in the early part of the year, with the averages holding above their lows of the preceding November/December—as they have done so far—it will be an up year. Although I have about as much faith in most such prognoses as I do in the weather forecasts of the groundhog, I am inclined to go along with this one. In all probability most stocks will wind up the year with plus signs.

We certainly have not been blessed with much good news this year, and it is not easy to justify the more cheerful investor sentiment since the turn of the year. Could it be that IBM's pre-Christmas announcement of a 4-for-1 split and a dividend increase of nearly 20%, followed a few weeks later by Du Pont's 3-for-1 split and a similar dividend hike, reminded investors that pleasant surprises do happen in the stock market and that the widespread negativism toward equities may have gone too far?

Another reason why the stock market seems to be regaining favor among investors, despite temptingly high yields on long-term bonds and short-term notes, may be the frustration over the future value of the dollar. When Federal Reserve Board Chairman Miller says that the President is too optimistic in his expectation that this year's inflation rate can be reduced to 7½%, and perhaps 7%, by the end of 1979, one can only conclude, as I did long ago, that the "battle against inflation" is hopeless and a sham.

With such pessimistic thoughts in mind, common stocks, with all their faults and uncertainties, begin to look increasingly attractive. When it comes to investments, playing it safe is no longer safe. I'd rather accept a risk and take a chance than seek the false security of a triple-A bond where, because of inflation, a loss is a certainty.

Nobody claims that stock investments are the perfect solution. You only have to look at the Dow-Jones industrial stock average, which hasn't made any headway in a period in which the dollar has lost half its value. But that is only a blunt generalization. Take a specific case: General Motors. Despite record profits, the stock of the world's largest manufacturing company sells below its lowest price of a decade ago, and even some 10% below its book value. On the other hand, such makers and distributors of automotive replacement parts as *Echlin Manufacturing* (17) and *Genuine Parts Co.* (36) have proved to be magnificent investments. With new-car prices as high as they are, automobiles will just have to last longer and this should be beneficial to these companies.

The recession (or "contraction"), which many economists had told us to expect any time after mid-1978, is still in the offing rather than an immediate threat. The leading indicators look a bit ominous, but that was also true last spring. The statistical evidence is inconclusive right now, and there are so many extraneous trouble spots that it might be best to discard the timetable for the domestic economy for a while.

The nonarrival of the long-heralded recession may have been at least a temporary plus factor for the stock market. Not only were fourth-quarter profits higher than had been expected—in some cases, in fact, they were simply spectacular—but analysts are also beginning to raise their 1979 projections. It no longer seems likely that overall corporate profits will decline materially below last year's level. It still is improbable, however, that many companies will succeed in lifting sales and earnings sufficiently to match an 8% to 10% inflation rate.

One industry that should do rather well this year is the natural gas pipeline group. These companies transport a product that is now in ample supply, contrary to predictions made by our Washington regulators a few years ago. Stocks like *Southern Natural Resources* (36) and *Tenneco* (30) are selling at only modest multiples and offer an attractive appreciation potential.

At this stage, it is much too soon to judge how the upheaval in Iran will affect the world's oil industry. Who knows whether or when that country will again become a major exporter of crude? Will there be an acute shortage of oil this spring or summer? What will be the effect on prices? These are unanswerable questions, but I feel confident that the major oil companies will manage to come out on top—as usual. I see no reason for investors to shy away from this industry. My favored stocks remain *Mobil* (72) and *Phillips* (31).

I have always been somewhat leery of companies that are heavily dependent on government/defense business. The risks involved are not of an ordinary, commercial nature, which are more or less "normal" and predictable. Just look at the huge writeoffs that Litton and General Dynamics had to take last year on settlements of contracts with the U.S. Navy: $333 million and $359 million, respectively, before taxes. Who needs that sort of problem? My affection for Boeing, for instance, did not develop until mid-1974, by which time about two-thirds of the company's backlog was commercial.

For some time I have been thinking (and writing) kindly about *Raytheon* (46), despite the company's sizable involvement with defense. However, Raytheon not only has greatly diversified its activities, but is also a very sound and financially strong company, as reflected in the AA rating of its debentures. Raytheon set new records all around in 1978 with profits up 32%, to $4.83 a share. Early projections for the current year are in the $5.50-to-$5.75 range. The recently increased but still modest dividend rate of $1.60 undoubtedly will be lifted again before the year is out. Raytheon should do well, almost regardless of general economic conditions, and I continue my favorable opinion of the stock. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

Here's another FORBES Special Opportunity to reach major investors in an ideal setting. Plan now to advertise in it.

APRIL 30

FORBES 1979 Annual Report Advertising Section

Here's the ideal place to advertise your annual report to FORBES' investment-minded audience (92% of FORBES' subscribers own corporate stock with an average value of $232,000 and 43% help make investment decisions for others).

The 1978 Annual Report Advertising Section generated a total of approximately 825,000 responses for 163 advertisers. It is an inexpensive and highly efficient means of putting your corporate story into the hands of those who are actively involved in the stock market.

All advertisements displayed in the section cost only $1,580 for ⅛ page black and white units.

A reader service card will be available to all advertisers in the Annual Report Advertising Section.

Closing date for copy and illustration: March 16

Forbes: Capitalist Tool

The EFHutton Master List. The most important investment tool we have developed in our 75 years.

A Challenge to Independent Investors

If you are the sort of individual who insists upon making his own reasoned investment decisions...

...the sort who refuses to delegate the responsibility for managing his money to anyone other than himself...

...but, at the same time, the sort who sets the highest performance standards for himself and his investments...

...then you should know that E.F. Hutton strives to provide its customers with an "edge."

As a major broker-dealer, E.F. Hutton, through its highly trained staff of account executives, continually strives to offer our brokerage customers superior services and products, including investment research and ideas. Our account executives never have and never will ask our customers to settle passively for investment mediocrity, whether in the area of executions, research, or any other aspect of our business.

The Hutton Master List

As just one example of our efforts to give our brokerage customers an edge, consider the Hutton Master List, an important tool utilized extensively by our account executives in servicing their accounts.

The Master List, a compendium of common stocks compiled by our 50-person Investment Research Department, includes statistical data relating to market valuations, capitalizations, volatility (beta coefficients), earnings, growth rates, dividends, yields, price-earning multiples, quality grades, returns on invested capital, etc.

In addition, the vast majority of these stocks are rated by our senior analysts in terms of their perceived fundamental attractiveness and by our technical staff in terms of their intermediate price trend expectations.

Finally, for most of these stocks, our analysts also project fundamental potential values and potential changes from current prices, based upon the factors, both quantitative and qualitative, which they consider significant in evaluating equities.

In effect, this represents the distillate of the best thinking of the entire Investment Research Department on hundreds of stocks, including all of those in the Dow Jones Industrial Average, more than 90% of those in the Standard & Poor's 500 Index, and a multitude of other issues of broad investor interest.

A Master List Every Month

The first Hutton Master List was compiled in July 1976 and included information on 714 different stocks. In August 1976 we prepared our second List, in September 1976 our third, and we have compiled one such List every month since. And over the past, more than two years, the number of issues in the Master List has been expanded regularly, so that by January 1979 we were evaluating not 714 but 860 different companies.

Since its inception, the Master List has been distributed monthly to each and every one of E.F. Hutton's more than 3,000 account executives so that they have had at their fingertips at all times the latest facts and figures—and the Investment Research Department's most up-to-date evaluations and opinions—hundreds of different companies. Our account executives, in frequently communicate that information to our customers.

This brings us to the key question: can such an effort b value to our brokerage customers? Or over the past two yea we simply staggered about with the random walkers, disc belatedly that all stocks really always are efficiently priced omniscient market?

The Record

To answer these questions we have reviewed the 12-montl performance record of the 30 stocks from each of our mon Master Lists for which we then had projected the greatest appreciation potential. We were pleased to learn that in eve 12-month period beginning with the one commencing in 1976 and running through the one starting in January 197 19 separate periods in all, including 570 stocks (30x19=5 there was a reassuring degree of accuracy in our Master Lis assessment of appreciation potential. The data show that

- Of the 570 stocks, 396 or 69.5% appreciated over th 12 months. Moreover, of the 570, 121 or 21.2% appreciate or more, with 55 different companies being represented ar the 121 stocks (several appeared more than once).

- By contrast, during those 19 periods only nine stocks declined 50% or more, and only four different companies represented among the nine (one company showed up six and the other three, once each).

- Of the 570 stocks, 67 or 11.8% appreciated 75% or during the next 12 months, including 37 or 6.5% which or more. Twenty different companies were represented ar the doublers and 34 different companies among the issues 75% or more. And there were no declines of comparable magnitudes.

It should be borne in mind that this data relates only 30 stocks on each monthly Master List for which the gre appreciation potential had been estimated, whereas in all some other stocks on the List also were rated "Fundament Undervalued" and were calculated to have some—albeit l appreciation potential than these 30 stocks. Our evaluatio the numerous other stocks in the Master List (both positi negative) may not have been as accurate. Moreover, even the 30 stocks for any given month which performed well ensuing 12-month period may not have continued that pe ance indefinitely thereafter. Finally, it is important to bear that although these 30 stocks generally may have perform as anticipated by our Research Department, in each 12-m period there were some stocks among the 30 that did no perform well.

Nonetheless, on balance, we believe that the subsequ 12-month record of these 30 stocks in each of the 19 one periods is a reasonable indication of the competency of ou evaluation process and significant enough to warrant care

luation. Simply stated, as we look back to the start of the ster List, for these 30 stocks from each List we have been right nticipating increased valuation more often than we have n wrong.

he Master List vs. Standard Benchmarks

valuating the significance of these results, of course, we also e careful to consider the possibility that they may reflect a ncidence with a period of generally rising prices. We asked selves whether our appreciation potential estimates simply e the market waves. To find the answer, we did a number of iled studies comparing the next 12 months' average perform- e of the 30 stocks from each List with the generally accepted chmarks of market performance—the Dow Jones Index, the ndard & Poor's 500 Index and the more broadly-based Value e Composite Index. In each case we compared performance of Index with the average performance of the 30 stocks — nputed both as an unweighted arithmetic average (i.e., assuming qual dollar amount invested in each issue) and in a manner parable to that used in computing each of these market indices.

The results confirm our belief that the appreciation potential yses of our monthly Master Lists can be an important data for the independent investor to consider in making his stment judgments:

The average of the 30 stocks outperformed the Dow Jones ustrial Average (also consisting of 30 stocks) in all 19 periods, ether calculated as an unweighted arithmetic average or aged by assuming purchase of an equal number of shares of n issue, the method employed by the DJIA.

By the same token, the average of the 30 stocks outper- ned the average of the 500 stocks in the S&P 500 Index in 9 periods, whether calculated as an unweighted average, or ghted by total capitalization, the method as used in averaging S&P 500.

Finally, the average of the 30 stocks outperformed the average ne even more broadly-based Value Line Composite Index sisting of 1700 different companies) in all 19 periods if ulated as an unweighted arithmetic average, or in 18 of the 19 ods if calculated, like the Value Line Composite, as a geometric age. (Copies of our full calculations and comparisons are, of rse, available upon request.)

We can't be sure that our Master List evaluations will tinue as the past might suggest. No one can guarantee that. we can assure you that we always try, that we continue to as much effort into our research as we have in the past, and we never accept the premise—nor ask our customers to pt the premise—that doing as well as the market is doing enough.

But What About the "Real World"?

re pretty proud of this record—and rightfully so, we'd say. we can anticipate the objections already:

"These thirty stocks would not necessarily make an ade- tely diversified portfolio. In fact, the average beta of all these stocks was above 1.20—pretty risky." "All those issues really uldn't be suitable for everyone," they will say, "and even if they were, you probably couldn't have bought all the stocks in size because of some relatively thin capitalizations." "And isn't it true," they will say, "that 30% of these 570 stocks actually declined in price in the ensuing twelve months?" "Couldn't an investor actually have lost money if he bought only some of these thirty stocks in a given period, or held them for periods other than exactly twelve months?"

Of course all these objections are valid, but we believe that they miss the point. The Hutton Master List is not a model portfolio, or a set of "buy" and "sell" recommendations, and simply mechanically buying certain stocks on the List is not our suggested approach to investment decision-making.

Buying stocks solely on the basis of Master List evaluations clearly will not assure investment success. The Master List simply provides a body of objective data and subjective evaluations which, when intelligently employed by our brokerage customers who wish to make their own investment judgments, should assist them in making their decisions. We believe, based on the past record, that the possibility of investment success is increased for the independent investor who uses the sort of information which we make available to our account executives—and through them to our brokerage customers—via the Hutton Master List.

In Our Mind, This is the Hutton Edge.

Skeptics also may say, "It's one thing to compile extensive data about a bunch of stocks, but it's quite another thing to make that data meaningful to the average customer." But that is exactly what we train our account executives to do—to translate the research, opinions, and evaluations of our Investment Research Department, as reflected in the Master List, into actionable recommendations for individual accounts. And this is the kind of service customers of E.F. Hutton get—at no additional charge—when they do business at our firm. In our mind, this is the Hutton edge.

So, if in making your own buy and sell decisions, you would like to draw on the knowledge and opinions of experienced performance-minded analysts—then wouldn't you want to know which of the hundreds of stocks in the Hutton Master List we believe to have the greatest upside potential today—and why?

As we already have noted, each of our account executives receives a copy of the Hutton Master List monthly—including our Investment Research Department's appreciation potential projections on those issues—and will be happy to share that information with you. Just give your Hutton Account Executive a call. If you don't have an account with us, call the nearest E.F. Hutton office and ask to speak to one of our account executives. Or send in this coupon.

Master List
E.F. Hutton & Company Inc.
One Battery Park Plaza, New York, NY 10004

Please send me an extract of the Hutton Master List.

Name _____

Street _____

City _____ State _____ Zip _____

Home Phone _____ Business Phone _____

My EFH Account Executive is _____ ☐ I have no EFH Account

E.F. Hutton & Company Inc., One Battery Park Plaza, New York, NY 10004, (212) 742-6412

When EFHutton talks, people listen.

Executives and Professional People
BORROW up to
$25,000
by Mail

If you need money...it's good to know you can borrow in utmost privacy...by mail. We are geared to serve the needs of the executive or professional person. Competitive rates, payments. Prepay without penalty. Interest is tax deductible. Mail coupon in confidence

POSTAL EXECUTIVE FINANCIAL SERVICES INC.

C. E. Wilson, Vice President
Dept. 0392
14201 E. 4th Ave
P.O. Box 39F
Denver, CO 80239

Write to:
C.E. Wilson, Vice President,
Dept. 0392
14201 E. 4th Ave., P.O. Box 39F
Denver, CO 80239
Send complete information and a loan application
Name_____
Address_____
City_____State_____Zip_____
affiliate of The St. Paul Companies, Inc.
963

EXECUTIVES IN 147 COUNTRIES CONSIDER THEM INDISPENSABLE

MULTINATIONAL EXECUTIVE TRAVEL COMPANION. (The Guide to Travelling on Business and Pleasure in 160 Countries) — essential data on business hours, business etiquette, local customs, public and commercial holidays, international trade fairs and events, currencies and rates, visa and health requirements, where to go, whom to meet, what to see and hear, where to stay, eat, entertain, what and where to shop, and much more. Priced at $20 in USA, $25 outside USA - airmail

GUIDE TO TRAVEL AND RESIDENCE EXPENSES WORLDWIDE. (The Guide to Living Costs and Conditions Worldwide) — helps you plan and control your travel costs in advance (hotels, restaurants, entertainment, communications, transportation, secretarial/translation, medical, pharmaceuticals, and much more). Priced at $60 in USA, $70 outside USA — airmail.

BUSINESSMAN'S GUIDE TO ARAB WORLD AND IRAN. Priced at $20 in USA, $25 outside USA - airmail

MULTINATIONAL BUSINESS YEARBOOK Priced at $80 in USA, $95 outside USA - airmail

ORDER YOUR COPIES AND FIND OUT WHY DECISION-MAKERS WORLDWIDE SUBSCRIBE TO THEM EVERY YEAR!

For free descriptive catalogue, pricing, free bonus, send your order and inquiry to: Multinational Business Guides, Dept. FB-3, Harvard Square Box 92, Cambridge, Mass. 02138, U.S.A.

Ordinary businesses producing ordinary products can be unusually rewarding.

TORTOISE AND HARE—AGAIN

By Peter G. Banzhaf

ADVANCED technology soundly managed has always been welcome on Wall Street, sometimes with spectacular and enduring results. But even the best of the exotic product makers haven't always been as successful as they have seemed.

Ordinary companies producing ordinary products, on the other hand, are usually treated to a yawn. Sometimes, however, their performance exceeds our wildest imaginings. And we are reminded that the historic relationship between the tortoise and the hare still exists.

An example:

Late in the summer of 1961, when technology was truly king of the stock market and I was a brand new broker, a young woman arrived at my desk with $400. Her brother-in-law, it turned out, worked for an office-equipment company that made a terrific dry copier, and she thought it had a bright future. The name of the company was Xerox (changed from Haloid-Xerox only three months before), and she wanted to buy as many shares as she could with her savings.

Even in that far and distant past, however, Xerox was not unknown to the investment community. It was so known, in fact, that the shares were selling at about 130 with a price/earnings ratio almost as high—92.

I was concerned, of course, about the suitability of such a speculative investment for a small investor. It was too dangerous. I suggested that she put her money in shares of the Parker Pen Co. of Janesville, Wis. Parker was a relatively ordinary company, making a relatively ordinar product but doing a pretty good job o it, and selling at only about 16 time earnings. She promised to call m when she made her decision and the disappeared into the summer, neve to be heard from again.

As the years went by, Xerox, o course, achieved virtual worldwide of fice-copier hegemony and develope into one of America's great growt companies. (Xerox Corp. seems to b losing ground in its fight to protec the copyright on its name. *Webster New Collegiate Dictionary* now carrie "xerox" as a transitive verb. Defini tion: "to copy on a Xerox machine.") hoped that my visitor had gone else where and bought her three shares. shouldn't have tried to stop her, I tol myself. Sometimes a client survive more elegantly without the benefit o a broker's wisdom.

Even so, Parker, the little pen maker, was, I had to admit, doing nice job in its own quiet way. Nothin to be embarrassed about there. Bu when the great growth stocks failed t recover completely from their histori 1973-74 tumble, I began to wonder maybe the tortoise hadn't done al most as well as the innovative har after all. So I took a look.

And, of course, you know the an swer. The hare, with a 5-for-1 split i 1963 and a 200% stock dividend i 1969, with an outstanding record o earnings gains and dividend increase had risen about 350% from the end o August 1961 to middle January 197 A splendid record, certainly.

The tortoise, on the other hand, ha a series of small stock dividends and 4-for-3 split in the 1960s. But in th 1970s—that most difficult of inves ment decades—it has had two 3-for- splits, a 5% stock dividend, a 2-for- in 1975, a 5-for-4 in 1977 and anothe 5% stock dividend in 1978. The to toise had produced a gain of bette than 1,050% since late 1961.

The holder who bought his Parke

Peter G. Banzhaf is a vice president of Robert W. Baird & Co., Milwaukee, Wis.

18 years ago and simply went to
p with it, was just plain lucky, of
rse. He had no right to expect such
ormance from a company in such
prosaic industry. Why, Parker
n't even considered the best pro-
er of writing instruments—at least
by the investment community.
Cross, until very recently, car-
a significantly higher multiple.
e wags said it was because invest-
nt analysts used Cross pens.)
ranted this was not a carefully
trolled experiment. It's just one
mple, a recollection. The whole
cept of entry point, among a host
ther things, has to be considered.
ox had already flowered. The end-
might have been entirely different
we started the contest five years
ier. Even so, there's a point to be
le. Ordinary businesses producing
nary products often involve less
and, despite that, can be unusual-
ewarding. Probably not as reward-
as Parker has been, but good
ugh to bring tears of joy to the
of most investors.

addition to my recollections, I
e two stocks to recommend. Each
ts own way is ordinary. But in
r ways, it is extraordinary. Each
ndeniably good at what it does and
sports an unusually high return
equity—a key, but often over-
ed, measurement. Neither stock
ew, however.

N Corp. (31), an insurance holding
pany, now looks as if it will earn
ut $6.15 in the year recently con-
ed, up from $4.33. Despite the
cipated downturn in the property/
alty cycle, NN should show strong
s again next year. Return on equi-
25%, and the dividend policy has
ys been generous.

y second selection is (surprise!)
er Pen (28). At Parker, the future
s as good as the past. For the fiscal
ending this month, earnings will
bout $3.35, a considerable im-
ement over the $2.60 produced a
ago. Initial estimates for the year
d are in the $3.75 range.

rker combined its dominance in
writing instrument field with as-
dancy in the temporary help busi-
when it acquired Manpower sev-
years ago. Together, they are
ing out a 28% return on equity for
firm, which is most impressive.

n ordinary company, yes, but
ker's pen has been mightier than
t investment alternatives for the
20 years and I'm inclined to be-
e the trend is intact. ■

Shouldn't you know what United is saying about these 25 heavily traded favorites?

Send today for United's advice: Buy? Hold? Sell?

Facts, figures, analyses, appraisal of risk, and specific advice.

ATT	Dow Chem	Holiday Inn	Pepsi
Bally	East Kodak	IBM	Polaroid
Boeing	Exxon	ITT	Ramada
Carrier	Gen Elec	K mart	Sears
Citicorp	Gen Motors	Occi Pet	Texaco
Digital	Gulf	Pan Am	UAL
			West Elec

Shouldn't you know what United is saying about Utilities now?

Send today for United's 13-point analysis of

75 Utility Stocks

Buy? Hold? Sell?

Facts, figures, appraisal of risk, and specific advice

Allegheny Pwr	Duke Pwr	New Eng Elec	Puget Sound
Am Ele Pwr	Duquesne Lt	New Eng G & E	P S New Mex
Ariz Pub Ser	Eastern Util	N Y State El	Rochester G & E
Atlantic City	Fl Pwr	Niagra Mohawk	SanDiego G & E
Balt G & E	Fl Pwr Lt	Northeast Ut	So. Calif Ed
Boston Ed	Gen Pub Util	North Ind Pub Sv	So. Carolina
Carolina Pow	Gulf States	No States Pwr	Southern Co
Cent Ill P S	Hawaiian Elec	Ohio Ed	Southwest Pub Ser
Cent La En	Houston Ind	Okla G & E	Tampa Elec
Cent & S W	Idaho Pwr	Pacific G & E	Texas Util
Cent Maine	Illinois Pwr	Pacific Pwr & L	Toledo Ed
Cinci G & E	Indianapolis P & L	Penn Pwr	Tucson G & E
Cleveland El	Kansas City P & L	Phila Elec	Union Elec
Com Ed	Kansas P & L	Portland Gen El	Utah Pwr & Lt
Consol Ed	Kentucky Util	Potomac Elec	Virginia E & P
Consumers Pwr	Long Island Lt	Pub Ser of Col	Wash Water Pwr
Dayton P & L	Louisville G & E	Pub Ser E & G	Wisconsin Elec
Delmarva P & L	Middle South	Pub Ser Ind	Wisconsin P S
Detroit Ed	Montana Pwr	P S New Hamp	

Plus a Full 8-Week Guest Subscription to United Reports

• Stock Market Analysis and specific recommendations • General Business Forecast • The Supervised List • Buying advices of other services • Bonds and Preferred Stocks • Stocks to sell or avoid • New product studies • Views of leading authorities and much more

8-issue subscription to United Reports alone is a $19 value— **this entire package only $5**

—FILL OUT COUPON AND MAIL TODAY—

F3–5

Please send me the entire package of Stock Market and Business Information.
8-issue subscription to United Reports alone is a $19 value—this entire package only $5
I understand I get my money back if I am not satisfied. My check is enclosed.

Offer open to New Guest Subscribers only. Not assignable without your consent.

Name _____ (please print)
Address _____
City _____
State _____ Zip _____

UNITED Business & Investment Service
210 Newbury St., Boston, Massachusetts 20116

139th
CONSECUTIVE
QUARTERLY
CASH DIVIDEND

The Board of Directors of ENSERCH Corporation on January 18, 1979, declared a regular quarterly dividend of 34 cents per share of common stock, payable March 5, 1979, to shareholders of record February 16, 1979.

For additional information, please write to Benjamin A. Brown, Vice President, Finance, Dept. C, 301 South Harwood, Dallas, Texas 75201.

ENSERCH
CORPORATION

SOUTHERN NATURAL RESOURCES, INC.

Birmingham, Alabama

Common Stock Dividend No. 23

A regular quarterly dividend of 31 cents per share has been declared on the Common Stock of Southern Natural Resources, Inc., payable March 14, 1979 to stockholders of record at the close of business on February 28, 1979.

RONALD L. KUEHN, JR.
Secretary

Dated January 25, 1979

OWN YOUR OWN
MONEY BUSINESS

REPRESENT OVER 2,000 U.S. SOURCES OF CAPITAL
"BECOME A FINANCIER"

Ideal for executive type person. R.E. Ins. and stockbrokers. Operate from your home. Together we process and place Client's money to you for Business Capital Assistance. Must be sincere with well rounded business background. Instant Hi income for right person.

$U.S. 18,000 Cash Will Handle

For details write giving phone no. to
OR Call Mr. Vander: (213) 463-4841

Dept. S Computer Capital Corp.
6922 Hollywood Blvd., Los Angeles, Calif. 90028

Financial Strategy

Crime is a business calculation, and the cost-benefit ratio seems to make terrorism unprofitable in the U.S.

IT SHOULDN'T HAPPEN HERE

By John Train

Some of my clients who are corporate executives, alarmed by huge scare ads taken out by recently formed security companies and newspaper accounts of bombings and kidnappings overseas, have started asking me gloomy questions about the desirability of specialized protective measures: sending their chauffeurs to take courses in evasive driving, varying their routes to work, buying kidnapping insurance and the like. And indeed the guard business is booming. (Supply creates demand: All those ex-CIA and FBI employees need work.)

In a number of countries in Europe and South America such measures make good sense. But the best opinion seems to hold that these conditions should not occur in the U.S. in the near future. "There's no reason to believe that political kidnapping is on the rise in this country," said an FBI official. The State Department and other authorities concur.

The logic comes from an analysis of who carries out these kidnappings and other attacks. There are really three different types of perpetrators: first, international terrorist groups, such as the PLO and the Red Army faction; second, indigenous dissidents, such as the Baader-Meinhof gang, the Red Brigades and the old Tupamaros; and third, domestic criminals and nuts (sometimes masquerading as one of the first two types). The motivations and methods of operation of the three categories are different.

First, let's consider the international terrorists, the ones who attacked th athletes in the Munich Olympics, fo instance. The PLO is the best exam ple. They are not a serious threat here They concentrate on Israel-related tar gets, not Americans as such, and i any event are far more likely to attac Americans abroad than in the U.S. I countries with massive socio-politica problems and inefficient police forces they can operate freely, with saf houses, escape mechanisms, etc., so i makes much more sense for a PL gang to attack Americans in Italy or i the Middle East than, for example, i Omaha. They would stick out like sor thumbs, and the local police forces ar not frightened by them or infiltrate by them. In New York, the Jewis Defense League would get them.

Furthermore, there is no pro-com munist or pro-Libyan faction here t take heart from some spectacular ac such as a major kidnapping or assass nation. Quite the contrary: Amer cans abhor kidnapping. The popula tion unites against the perpetrator In Mao's lingo, there is no sea for th urban guerrilla "fish" to swim in.

As to domestic dissidents, unplea ant memories of the Weathermen an Black Panthers are now more vivi among older persons than present re ality justifies. The Weathermen, no gray-haired, are turning into banker and lawyers. Several of the "Chicag Seven" hold government position Such lunatic groups as the so-calle Symbionese Liberation Army hav been broken up and discredited. (Th FBI's capability to intervene again them has also been weakened.)

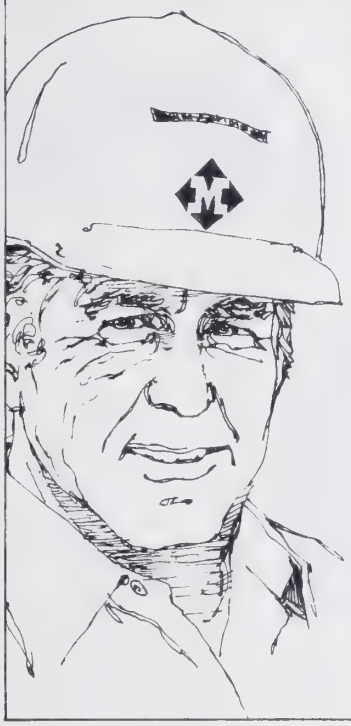
In contrast, there are countries i Europe where the younger peopl have a legitimate complaint again the older ones, and where it seem that only violence produces attentio

The students in Italy are unde standably enraged by crowding in un versities and neglect on the part academic authorities. On graduatio they find few job opportunities.

John Train is president of Train Smith Investment Counsel, New York, and the author of Dance of the Money Bees.

ermany, to give another exam-
any of the young believe that
ow in positions of corporate or
mental authority attained their
nce by condoning Nazism.
ne U.S., by contrast, it is, if
ng, almost too easy to get a
if one has a beef.
nermore, the black experience
ems to have been that gradual
ds pay off better than violence.
was a backlash in the late
in both the white and black
nities, against the Black Pan-
nd their methods.
most lasting gains, on the con-
nave been made through the
by the patient work of the
al Association for the Ad-
nent of Colored People, Martin
King Jr. and the moderate mid-
he black community, who now
substantial stake in the preser-
of our society.
most likely security problem a
ecutive may have to face isn't
or "kneecapping" by radicals,
occurs in Europe, but kidnap-
a professional criminal in it
money, or possibly a nut pos-
radical.
ever, kidnapping pays badly
terms of the risks involved. A
son why is the technical superi-
the FBI over its European and
American counterparts. For in-
in the U.S. it is virtually im-
e to collect a ransom without
etected.
pickup takes place in a crowd-
it usually turns out that every-
n sight is an FBI agent: the
per vendor, the drunk in the
the street cleaner. The FBI can
undreds of specially trained
to cover the ransom drop.
the other hand, the ransom is
up in a lonely spot, then the
deploy helicopters that fly so
ey are actually out of sight—
observing the scene through
pes (infrared at night)—and
ing to bear sophisticated elec-
racking techniques.
larly, no plane hijacker in the
s been able to get away with
som in recent years.
e is a business calculation, and
t-benefit ratio seems to make
m, particularly the kidnapping
utives, unprofitable in the U.S.
ed with elsewhere.
on't feel you have to buy an
d car or an attack dog right
'll discuss "software" precau-
another column. ■

MAPCO IS PEOPLE, BUT...



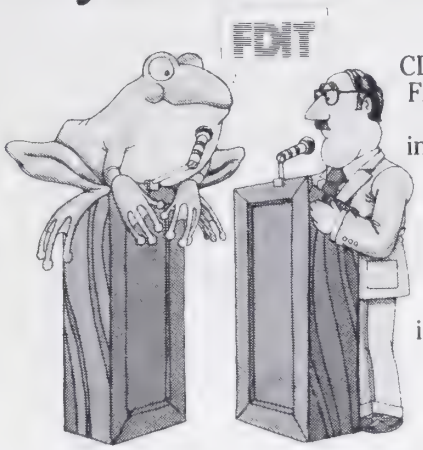
Not just ordinary people. Hard workers, each of whom will produce about $180,000 in MAPCO sales and revenues this year. They work at extracting MAPCO's reserves of oil, coal and natural gas to help fuel our nation's energy requirements. They man the nation's longest LP-gas pipeline and the world's first common carrier anhydrous ammonia pipeline. They serve customers in retail Thermogas stores in 11 states with appliances, LPG and liquid fertilizer. They produce and market sonic instrumentation devices, filtration equipment and other water pollution control products. Unusual people?

For a closer look at what they've done for MAPCO's diversification and profitable growth, write for our current report.

mapco INC.

Dept. P, 1800 S. Baltimore Ave
Tulsa, Oklahoma 74119
SYMBOL MDA • NYSE
MWSE • PSE

Our money market fund vs your 6-month savings certificate.



Rather than renew your 6-month CD, consider the advantages of Fidelity Daily Income Trust.

FDIT permits full participation in today's high money market yields without tying you to a fixed return for six months.*

Moreover, you maintain daily access to your money through free check and telephone withdrawals. The minimum initial investment is only $5000.

Call Free (800)225-6190

In Mass. Call Collect (617) 726-0650

*Of course, in a bank your principal is insured and does not fluctuate, but your investment has a fixed return.

FDIT Fidelity Daily Income Trust

P.O. Box 832, Dept. JB 030579
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

FIDELITY GROUP
Over $4 billion of assets under management

Name _____
Address _____
City _____ State _____ Zip _____
Company _____
Telephone _____
Retirement Plan Information: Keogh . 403B .

Junior Growth Stocks

"MOST PEOPLE I KNOW FEEL THE COUNTRY IS GOING TO HELL IN A BROWN PAPER BAG. I DON'T AGREE," an investor friend said.

We agree with our friend. We think you, too, will agree when you study the 220 companies covered regularly in **JUNIOR GROWTH STOCKS.** With a few exceptions, these 220 vigorously growing companies have expanded their earnings in good times and bad. What's more, these 220 companies have compounded their earnings per share at a 42% annual growth rate for the latest four years reported.

JUNIOR GROWTH STOCKS is published twice monthly. Subscription is a modest $54 per year, or $25 for three months. If you are seriously interested in building your investment capital, our service may be a useful investment tool. Subscription is tax deductible.

JUNIOR GROWTH STOCKS
4405 East-West Highway
Bethesda, Maryland 20014
☐ **One Year $54** ☐ **Three Months $25**
☐ **Foreign $80 (U.S.)**

Please return this ad with your check. Subscription not assignable without subscriber's consent.

Regular Quarterly Dividend

70¢ per Common Share

Payable:
March 15, 1979
Record:
February 16, 1979
Declared:
January 31, 1979

Consecutive dividend payments since 1939

Panhandle Eastern
PIPE LINE COMPANY

Cyril J. Smith, Secretary
P.O. Box 1642
Houston, Texas 77001

On The Couch

When a sector collapses, the market may o may not fall apart. The key is the numbe of players and the money involved.

PSYCHING THE MARKET

By Srully Blotnick

PSYCHOLOGICALLY speaking, the market is a buy. That is the conclusion that emerges from my 15-year-plus study of investor expectations. Over those years, investors went through periods when they expected great things from stocks and through periods when they had given up hope. My studies show that when investor expectations are *high,* the market is near a top. When they are *low,* the market is ripe for a rally.

The index I use is the annual rate of return investors feel they will make on their investment. I have access to a group of 1,100 investors who regularly reply to my questions. If an investor expects to double his money, I assign him an index number of 100 (up 100%). If his or her expectations are only for a 10% annual gain, I assign a value of 10. Averaging all the scores produces an overall index.

Younger investors—those aged 21 to 35—typically give higher numbers ("I expect to double or even triple my money this year"). Adult investors—those between the ages of 36 and 55—usually seek more moderate rates of return ("I'd be very pleased with 15% to 20% a year"). Older investors—those over 56—give yet lower figures ("11% would be fine," and "I don't want to lose any money"). Therefore, I have the same number of investors in each of the three categories.

My index of investor expectations allows me to forecast the market's ups and downs with a reasonably high degree of accuracy.

For instance, at various turning points in the market, during 19 1970 and 1974, the index fell to ve low levels: 4.2 in the fall of 1966, 2 in the spring of 1970 and –3.7 in D cember 1974, the only negative re ing recorded since we began tracki a large group of investors in 1963.

As the market proceeded to recov after 1974 and after other bear m kets of the 15-year period, inves confidence gradually started to retu The index of investor expectatio began to increase, rising slowly a steadily at first, picking up quite a of speed once investors felt secure. fact, once the index passes the 25 zone, it appears capable of head into the clouds.

At some point, though, expec tions manage to exceed reality, t major extent, on the up side. A gree of optimism, a general level greed, is reached that simply can be sustained. The index subsequen declines with a speed that far ceeds anything it displayed dur its rise.

The index was dealt a surprisin severe blow by the September to N vember 1978 rapid market decline early September it stood at 14.1— sample on average expected to e 14% in the stock market. By late D cember, it had fallen to 8.9 and rec ered only part of the loss in Janua even though the market advanced balance.

Clearly a majority of my invest simply don't believe in the recent ly. Repeated public warnings of pending economic hardship seem have frightened them. They h been hurt before, they are quick state, and don't want to be cau unprepared in the next crash.

Maybe they are right. Perhaps world is well on its way to finan chaos. My studies, however, sug that the current pessimism is the sult of temporary factors. Although *average* investor may presently h modest expectations where the n

Dr. Srully Blotnick is a practicing psychologist and author of the new book, Winning: The Psychology of Successful Investing.

as a whole is concerned, there is a ticular group of investors, playing a ticular group of stocks, whose ex-ctations are anything but modest. e issues I'm referring to are the nbling stocks, and the players ac-ely involved with them have expec-ions (for this group) of 53.3. That is wn considerably from the 91.4 the up had attained in early September 78, but it is still very high.

You probably won't be surprised to cover that in the past when a sec- of the market attained values in 80-to-100 range, the sector soon reafter collapsed. And that, I be-ve, is what the September/No-nber decline represented: a sectoral lapse of gambling stocks that gged the whole market down.

When a sector collapses, the market a whole may or may not fall apart. e key variables are the number of yers and the amount of money in-ved. For instance, a similar situa-n prevailed in the early part of 73. The drug stocks were the gam-ng stocks that time, but the num- of individual investors excitedly ying the group was far larger, and titutional investors were also ch more involved than they are w with the gambling stocks. With index for the drug group in January 73 at an unsustainable level of 89.8, appointment was clearly close at nd. When the drug stock bubble fi-ly burst, right in the midst of a ession and the oil crisis, investors re deprived of their last ray of hope d their expectations vanished. The ole market collapsed, taking the way below 600 and setting the ge for a gorgeous rally.

have been studying the stock mar- for too many years to be rash in predictions. But this much I do ow: that in the past 15 years, enever investor expectations have n modest, the market did well in subsequent 8 to 18 months. Right w those expectations are modest eed. In spite of the very nice rally t started in November, investor ex-tations have been trending gently wnward again, and stood at 11.2 at beginning of February. (Investors, other words, don't think the mar- can give them much more in the y of a return than bonds can.) If I right, the stock market is going to ve them wrong. We could have a lden, sharp reaction first, perhaps part of a sectoral collapse, but it will brief. Psychologically speaking, cks are very cheap today. ■

American Brands, Inc.

294th COMMON DIVIDEND

A regular dividend of One Dollar ($1.00) per share has been declared upon the Common Stock of AMERICAN BRANDS, INC., payable in cash on March 1, 1979, to stockholders of record at the close of business February 8, 1979.
Checks will be mailed.

C. A. MEHOS, *Vice-President—Finance*
January 30, 1979

The American Tobacco Company
GALLAHER LIMITED
Master Lock Company
James B. Beam Distilling Co.
Swingline INC.
Wilson Jones
Sunshine Biscuits, INC.
ACUSHNET COMPANY
American Cigar
THE ANDREW Jergens COMPANY
W. R. CASE & Sons Cutlery
ACME VISIBLE RECORDS, INC
DUFFY-MOTT COMPANY, INC.

AMERICAN BRANDS, INC., 245 PARK AVENUE, NEW YORK, N.Y. 10017

Wise old saying—

"REACH FOR HIGH INTEREST RATES BUT KEEP YOUR MONEY WITHIN REACH."

CD's are fine for some purposes, but not for liquidity. Six months can be a long time in a fast-changing world—not to mention six years.

Let us help you obtain the best of both worlds—

HIGH INCOME AND LIQUIDITY.

Toll-Free Telephone Redemption • Free Check Writing

ROWE PRICE
PRIME RESERVE FUND
A No-Load Money Market Fund

Call toll-free 1-800-638-1527. If busy, or in Maryland, call 301-547-2136 or write Prime Reserve Fund, 100 East Pratt Street, Baltimore, Maryland 21202.

A-6

Name Address

City State Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

When inflation is uncontrolled, people want to turn their dollars into real assets. Any real asset will do, including cotton.

THOSE VOLATILE COTTON SPREADS

By Stanley W. Angrist

SPECULATORS and analysts alike were surprised a little when the U.S. Department of Agriculture announced in January that the 1978 cotton harvest produced 10.8 million bales, up 1% from the previous report but 25% below the crop produced a year ago. This production estimate, coupled with larger anticipated exports, points to an ending carryover of 4.1 million bales, which is 1.2 million bales below the stocks available at the beginning of the season.

This year's crop reached its highest price in late October when the March contract exceeded 73 cents per pound. (It seems to me that cotton was being driven, at least in part, by the mad flight from the dollar. When inflation appears to be uncontrolled, large numbers of people want to turn their dollars into real assets—not just gold or silver. Any real asset will do, including cotton.) Since that time, cotton has broken about 8 cents per pound.

Two factors appear to me to be acting now to keep a lid on cotton prices. The first is the size of the crop to be planted. The Planting Intentions Report released by the Department of Agriculture on Jan. 22 indicated that farmers will plant 13.9 million acres, which was about midway in the range of traders' expectations. It should be noted that several minor cotton-producing states were not included in the survey. Furthermore, farmers occasionally will understate their planting intentions in order to induce higher prices.

The second bearish factor is the effect that a recession might have on demand for cotton by mills. The most recent consumption report indicated December 1978 daily mill consumption at about 21,900 running bales *vs.* 22,500 during December 1977. Based on average consumption during the first five months of this cotton-marketing year, Bache Halsey Stuart projects a total consumption by season's end of about 6.3 million bales. An economic slowdown could, no doubt, reduce this number.

The demand for cotton cloth, like the threads of which it is woven, forms an integral part of the economy. As housing starts drop, demand for sheets, towels and other household fabrics can be expected to decline. Likewise, as unemployment rises, there is usually a cut in the demand for work clothes.

As the chart below indicates, the U.S., Western Europe and Japan have been busy exporting their demand for raw cotton to the developing and socialist countries. That is, we are farming out a portion of our textile industry to low wage-rate areas of the world. Asia is far and away our best market for cotton, with South Korea now our best customer. The People's Republic of China took about 426,000 bales of U.S. cotton last year. It is widely believed that Peking will buy more this year if it can get favored nation status and receive Commodit Credit Corp. credit.

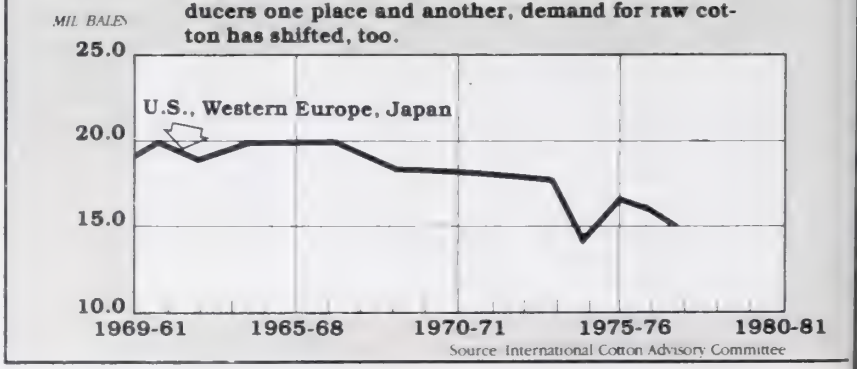
However, sales to Asian market depend in part on how much fabri and apparel they will be able to sell t us. The domestic textile industry less than enthusiastic about lettin current amounts expand very muc All things considered, the USDA ha revised upward its projections f 1978-79 raw cotton exports from 5. million to 6 million bales. Traders fi ure this number could rise to 6.5 m lion bales. The booming export bus ness is attributed to American price which are 4 to 5 cents per pound b low foreign competitors' prices. U. exports during the first four months this marketing year total 1.55 millio bales *vs.* 863,000 in the same perio last year. If a small bull market deve ops, it will be fueled by exports.

Cotton has always been a popul commodity to spread—that is, go lon one contract month and short anoth contract month. But if you elect follow my recommendation, yo should be aware that cotton sprea are exceedingly volatile. The cotto spread that intrigues me is long Jul short December cotton, with July sel ing at no more than 500 points cents per pound) over December. Th rationale for this spread is simple: exports remain strong, the dema for cotton will remain high. Adequa plantings next season should stop a substantial advance of new seas crop months such as December.

If the spread narrowed 100 poin ($500) from entry I would bail o without hesitation. I believe that th spread could easily widen again to 7 points premium July as it did in ear January. Assuming an entry level 500 points premium July, that gives risk/reward ratio of 2.3 to 1. Marg on a cotton spread is about $500 whi the round-turn commission is $90.

Cotton consumption

As textile production has shifted to lower-cost producers one place and another, demand for raw cotton has shifted, too.



Source: International Cotton Advisory Committee

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

o 64,000 Value Line subscribers know something you don't ow about investing? Perhaps, if you're not yet aware of...

Stock Selection That Works Like This:

ery single week The Value Line investment y ranks 1700 stocks—*each relative to all the* —for Probable Price Performance in the 2 Months.
0 stocks are ranked 1 (Highest)
0 stocks are ranked 2 (Above Average)
0 stocks are ranked 3 (Average)
0 stocks are ranked 4 (Below Average)
0 stocks are ranked 5 (Lowest)

e intent of the ranking system is *not* to try to u, in absolute terms, which stocks will go up hich down in the months ahead. Rather, the are aimed at discriminating among all these stocks on the basis of their future RELATIVE In other words...

e expect the stocks ranked 1 (Highest) to UP MORE in a rising market or DOWN SS in a falling market than the lower-nked stocks. And so on, down to the ocks ranked 5 (Lowest), which we expect go UP LESS or DOWN MORE than the gher-ranked stocks.

t every stock has always performed in ac-nce with its Value Line rank. But such a large ty have, most of the time, that we believe this g system constitutes one of the truly impor-vestment breakthroughs of this generation.

should not be assumed, of course, that future s will match past or, for that matter, be profit-But the Value Line ranking system has stood st over more than 13 years encompassing as well as rising markets.

natever else you may want from your stock ments, certainly it is desirable to select s that will outperform the market as a whole. alue Line ranks can, we believe, strongly tilt ds in your favor

d, at this time, it may be of even greater cy to get rid of laggards, those particular s which might drag down the overall perform-of your whole portfolio. To illustrate (see box)

DATED EVERY WEEK

very week, Value Line regular *Summary &* presents up-to-date ratings of EACH of 1700 s *relative* to all the others, as follows...

ank for Probable Price Performance in the ext 12 Months—ranging from 1 (Highest) wn to 5 (Lowest)

atings for investment Safety (from 1 down to

stimated Yield in the Next 12 Months
stimated Appreciation Potential in the Next 3 5 years—showing the future "target" price nge and percentage change from current ce
E ratio and current price, plus estimated an-ual earnings and dividends in current 12 onths. Also latest quarterly results against a ar ago

S FULL-PAGE REPORTS

addition, each of the 1700 stocks is the sub-f a comprehensive new full-page *Rating &* rt at least once every three months—includ-series of vital financial and operating statis-bing back 15 years and estimated 3 to 5 years d . About 130 new full-page Reports like this sued each week... 1700 every 13 weeks. All aterial is so organized in your binder that you uickly turn to a continually updated report on st any leading stock.

The Value Line Ranks suggest that half of these stocks may well lag the market in the next 12 months.

No fewer than half the stocks listed below are currently ranked 4 (Below Average) or 5 (Lowest) for Probable Price Performance in the Next 12 months—relative to all 1700 stocks under review by The Value Line Investment Survey.

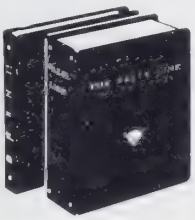
Allied Chemical	**Crown Zellerbach**	**Int'l Business Mach.**	**Procter & Gamble**
American Airlines	**Curtiss-Wright**	**Int'l Harvester**	**Revlon, Inc.**
Amer. Tel. & Tel.	**Dow Chemical**	**Johns-Manville**	**Schlitz**
Avon Products	**Exxon Corp.**	**Johnson & Johnson**	**Sears, Roebuck**
Bendix Corp.	**Firestone Tire**	**Kaiser Steel**	**Sperry Rand**
Bethlehem Steel	**General Motors**	**Libbey-Owens-Ford**	**Tenneco, Inc.**
Burlington Ind.	**General Tire**	**Loews Corp.**	**Texas Instruments**
Chrysler Corp.	**Greyhound Corp.**	**Mobil Corp.**	**Twentieth Cen. Fox.**
Coleco Ind.	**Gulf Oil**	**Monsanto**	**Uniroyal, Inc.**
Colgate-Palmolive	**Harrah's**	**Owens-Ill. Inc.**	**U.S. Steel**
Combustion Eqpt.	**Ideal Toy Corp.**	**Pepsico, Inc.**	**Weyerhaeuser Co.**
Consol. Edison	**Ingersoll-Rand**	**Philip Morris**	**Zenith Radio**

As you can see, the list above includes the stock of many highly successful companies that are leaders in their fields. This helps to point up an important principle: *Don't confuse the quality of a company with the timeliness of its stock.*

The performance ranks outlined above are just a small part—though a very vital part—of what you receive every week in the Value Line Survey. Here's an overview of this extraordinary investment service which now has more than **64,000** subscribers and clearly dominates its field in terms of number of subscribers and total subscription revenues.

SPECIAL INVITATION

You can receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 9 weeks for only $29—about HALF the regular rate if no one in your household has subscribed in the past two years And you get these 2 bonuses:



BONUS #1—Value Line's 2400-page *Investors Reference Service*, including our latest full-page Reports on each of 1700 stocks... fully indexed and looseleaf-bound for easy reference, and systematically updated by new full-page Reports in the weeks ahead. Filing takes but a minute a week.

BONUS #2—*Investing in Common Stocks* by Arnold Bernhard Value Line's founder and research chief, revealing methods of stock evaluation that took decades to develop. You KEEP this book even if you return the other material for your money back.

To accept this invitation—mail the coupon today

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. • 711 Third Avenue, • New York, N.Y. 10017

516L05

☐ Begin my 9-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now

☐ 1 year for $315. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $315. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT NO

CITY

STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid.

Foreign rates on request (NY residents add sales tax.)

This subscription is tax deductible if utilized to aid in the management of your investments

Breaking into world markets can be easy.

Breaking into world markets can be easier than you think. The problem has been trying to advertise effectively and efficiently in so many different and varied national media.

TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where the market is.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Forbes Index

companies covered in news stories and by the columnists in this issue.

fe & Casualty 125
n Express 8
..... 24
Seaoil 142
ealty & Development 112
't'l 103
g 125
Trust 130
..... 154
scade 61
rner 140
..... 140
urray 138
World 125
..... 35
on Int'l 61
System 43
gy 34
SCO 54
ervision 140
lls 140
ated Foods 138
er Transport Int'l 146
ss 159
..... 38
er 140
Bank of the Commonwealth 142
emical 35
ont 9, 35, 154
Airlines 66
ifg 154
ax 38
esson 38
rp 52
..... 38

Firestone Tire 140
First Arabian 142
Ford Motor 54
GATX Corp 54
General Crude Oil 8
General Dynamics 154
GE 54
General Foods 142
GM 52, 149, 154
Georgia-Pacific 61
Genuine Parts 154
Girard Leasing 52
Greyhound 54
Hoffmann-La Roche 34
Hughes Tool 103
IC Inds 140
IMS Int'l 140
IBM 154
International Paper 61
Instron 140
Itel Corp 52
Lanier Business Prods 140
Kenneth Leventhal & Co 112
Litton Inds 154
McGraw-Hill 8
MTS Systems 140
Martin Marietta 140
Massachusetts Mutual Life 10
Merrill Lynch 56, 125, 135, 138
Missouri Pacific RR 43, 52
Mobil 154
Monsanto 35
NN Corp 159
National Airlines 6, 66
Nat'l Ry Utilization 56

Nestlé 34
Norfolk & Western Ry 43
Olivetti 146
Oxford Inds 140
Pan American 66
Pandick Press 140
Parker Pen 158
Philip Morris 104
Phillips 154
Raytheon 154
Renault 38
Resorts Int'l 125
SKF 38
Saab-Scania 38
Scholastic Magazines 140
Seatrain Lines 11
Southern Natural Resources 154
Southern Railway 43
Studebaker-Worthington 140
Tandy 118
Tenneco 154
Texas Instruments 120
Texas Int'l Airlines 66
Textron 72
The Dime Savings Bank (NY) 135
Trailer Train 52
Trammell Crow 112
Trans Union 54
UAL 6
Union Carbide 35
U.S. Rail Service 54
Volkswagen 38
Volvo 37
Weyerhaeuser 61
Xerox Corp 158

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $18.65. Minimum size ad is one inch (14 agate lines) costing $261.10. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $18.30. Minimum size for display is two inches (28 agate lines) costing $512.40. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED: is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:

SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 675-7500

FAST FACTS ABOUT FORBES SUBSCRIBERS

★ Total paid circulation: 670,000

★ 306,000 are in top management positions

★ 184,000 serve on their companies' board of directors

★ 150,000 serve on boards of companies other than their own

★ 619,700 own stock. Average holdings: $232,000

★ Average household income: $52,600

★ Average net worth: $533,600

INVESTMENT NEWSLETTER

$1

is all that's needed to bring you an investment package that could substantially enlarge your stock market profits. For only $1, you'll receive our new 12-page report, BASIC INVESTMENT RULES FOR STOCK SELECTION, which deals with the most important factors to look for in identifying potential market winners. In addition, you'll also receive the next four issues of our 10-page weekly market letter, WALL STREET NAVIGATOR, free of charge. Only $1 brings you this useful 52-page offer. (Only one request per household, annually.) To obtain this timely investment package, send this ad and only $1.00 to:

STOCK MARKET APPRAISAL, INC.
P.O. Box 355, Stapleton Station
Staten Island, New York 10304

BOOKS & PERIODICALS

TRADELOOK, a leading bimonthly magazine. Excellent articles on investments, commodities, and international trade by experienced investment advisors and business professors. $15 per year. P.O. Box 3077, Church St. Station, NYC 10007. (212) 457-5420.

BUSINESS CONNECTIONS

FINANCIAL MAILING LISTS
Send For Free Brochure On Highly Productive Lists Of Sophisticated Current Commodities & Stock Traders, Investors & Book Buyers.
Also, Diamond, Gold & Coin Buyers, Doctors, Millionaires, Gamblers
And Much, Much More!
KACHINA ASSOCIATES, LTD
2725 NO. 24th STREET #9
PHOENIX, ARIZONA 85008
(602) 957 9557

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST
Top Finders Fees Paid
Finders Inquiry Invited
Write Box A157 Forbes
60 Fifth Avenue
New York, NY 10011

CAPITAL & INVESTMENT OPPORTUNITIES

Learn the best mix of investment, management, and operational strategies for your firm or venture. Use a step-by-step program that leads logically to comprehensive, well-documented strategic plan. "Strategic Business Planning Workbook." Write:
DELTZ & ASSOC.
P.O. Box 2227
Long Beach, CA 90801

INVEST IN TEXAS
Fastest growing area in U.S. We have over 100 properties from $100,000 to several million dollars. For free brochure, write:
GAZ GREEN REAL ESTATE
Dept. F, Box 634
New Braunfels, TX 78130
(512) 625-7377

MANUFACTURERS' REPRESENTATIVES

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE
Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available.
For information write:
Manufacturers' Agents' Newsletter
Dept. 178A, 23573 Prospect Avenue
Farmington, Michigan 48024

Bi-Weekly Bulletins of Lines Offered for representation in all fields. Plus Newsletter. Many other services for principals and representatives. Details: **United Association Manufacturers' Representatives,** Dept. 9, 808 Broadway, Kansas City, MO 64105. (816) 842-8130. Established since 1956.

EMPLOYMENT OPPORTUNITIES

HELP WANTED SALES
Money Broker. Excellent Opportunity. Sales / management. Call Mr. Green.
Twentieth Century Finance
Toll Free 1-800-821-2658

REAL ESTATE

Realty USA **HOUSE HUNTING?** or selling ■ ■
Find out how fast and easy it really can be! Write for our FREE booklet - TAKING THE HASSLE OUT OF HOUSE HUNTING ... and how to sell your home for the right price fast. **No obligation!**
M_____

INTERSTATE **RELOCATING?** CALL TOLL FREE FOR RELOCATION ASSISTANCE ANYWHERE
800-325-3777
Realty USA®

MONTANA RANCH
5,560 deeded acres in one contig block adjoining the Sun River G Range in the foothills of the R Mountains, just over an hour's west of Great Falls and 7 miles Augusta. 2 good live streams, water rights, and over 700 acres sified as irrigated make this 500 mal unit operation a superlative in ment opportunity at $800,000 with owner financing at 8% interest.
HALL AND HALL IN
406/252-2155 or Box 1924
Billings, MT 59103

INTRACOASTAL WATERW
Prime development acreage over 40 acres with 2600 feet fro on intracoastal canal. Also ad Congressman Jack Edwards Air Paved highway across entire p and easy access to interstate sys Twenty (20) year terms. Contact Ward or Stan Fountain for full de
CENTURY 21
MEYER REAL ESTATE
P.O. Box 238
Gulf Shores, Alabama 36542
(205) 968-7516

FREE CATALOG
Big, Free Spring 1979 Catalog scribes and pictures more than farms, ranches, acreages, recreat properties, businesses, town country homes in 41 states coas coast! Please specify type and tion preferred.
UNITED FARM AGENCY
612-Y W. 47th
Kansas City, Mo. 64112

EXECUTIVE GROOMIN

Are your shoes fine enough to deserve DARU?
Remember the quality shoe sh you used to get at a shoe sh stand? A high gloss achieved o with the best of creams, a lot buffing, energy and time. Good your psyche and for your sh but inconvenient, expensive, today, hard to find. • Now, **Da** a fine Italian cream, can give that same, brilliant, leather-nc ishing shine at home, in your fice, in a hotel, anywhere. An takes only 90 seconds from s to finish. • No buffing, no m no colors to match. None of leather-damaging side-effects quickie sprays or liquids. • A 3 tube of **Daru**, with applicato $3.50. Your fine shoes and b life deserve it. • Include 50¢ h dling and postage (California r dents, add 6% sales tax) and al 3 weeks for delivery.
STOLLY LTD.-F
P.O. Box 45019
Los Angeles, CA 90045

INESS OPPORTUNITIES

(Advertisement)

lage Earner
33,900
icher.

ns
imes in
S. Gov't
ttery

W YORK, N.Y. (Special)—en Phil Donaldson collected 900 he was amazed. When he n the second time a few nths later—another $24,000—was astounded. This lucky chiganian pocketed $33,900 could collect thousands re in royalties—month after nth for years. You could, too, the little known U.S. Gov't ttery. Every month nearly 0 Americans win valuable oil nts to public lands in oil-rich es for just $10.

The odds are much better than e lotteries—and when you your lease you're assured a h payoff plus additional roy- rights. Any U.S. citizen over may enter giving you the same nce to win as Gulf, Exxon, ll, etc. It costs nothing to get ails, entry cards, etc. Send ne and address to **Energy oup of America, Dept.** FO379, pire State Bldg (Suite 3308) w York, NY 10001.

OWDSTOPPER!

our own British
e deckers

e Exhibitions
ervices
seeing etc
ular eyecatching mobile
d 13 4 high 27 long
als 10 mpg
ed custom conversions
y power air conditioning
nce rooms bar kitchen
o, etc Full service parts
ranty Write phone or visit us at

Promotions Limited
Center, 716 Cecelia St Norfolk VA 23504
ne 804 622 1456
st Imperial Hwy, Los Angeles, CAL 90045
ne 213-670-4675

ng-established lucrative bus-
ess in the musical arts-re-ed field seeking an Entre-eneur capable of reaching erested parties of an estab-hed company or museums. siness ready for expansion. ox A156 Forbes, 60 Fifth e., New York, N.Y. 10011.

GAMING

BEAT THE DICE TABLES
Make Dough . . . Like a PRO in all Legalized Casinos
Place only 4 or 5 bets
umbers are in your favor including 7
2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
You win every roll!
E DETAILS: M. C. CORBIN Dept. F-3
West 54th Street, Radio City, NY 10019

BUSINESS OPPORTUNITIES

MATCH YOUR ABILITY WITH OPPORTUNITY

You are your own boss with Kwik-Kopy Printing . . . in business for yourself, but not by yourself. We provide site selection, training, start-up, and continuing support. Total investment is about $54,500 . . . $14,500 down, working capital of $5,000, long term financing on the balance.

WRITE OR CALL TOLL FREE

Robert T. Johnston
Kwik-Kopy Corporation
5225 Hollister • Houston, TX 77040

TEX — 1-800-392-6488
US — 1-800-231-4542
Except Alaska & Hawaii

Kwik-Kopy PRINTING — IFA International Franchise Association

INDUSTRIAL MANUFACTURING LICENSE

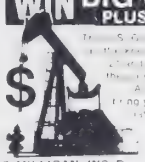
24 licensees now exist internationally. We seek only qualified applicants who enjoy the allure of manufacturing. Virtually competition-free business secured by machinery, training and long term support. Investment of $137,500 with financing available. Company scrutiny is considerable and very much in depth. We are also seeking master licensees for foreign countries.

Call or write, Mr. Faircloth
North American Carbide Corp.
2950 So. Umatilla
Englewood, CO 80110
1-800-525-9496

UNIQUE BUSINESS OFFERING

One of the nation's finest and fastest growing corporations in the Personal and Professional Development Industry is selectively seeking independent distributors to own and operate a Performance Improvement Business full or part-time. Our systems offer proven, measurable results. National and Regional training and support. Excellent income potential. No Franchise Fee. $3840 required investment for start-up materials. Call toll-free 1-800-543-3000 (In Ohio 1-800-582-1364) Ask for Operator 200. Or write:
THE PERFORMANCE GROUP INC.
2880 LBJ Freeway, Suite 307
Dallas, TX 75234

WIN BIG OIL MONEY
PLUS TAX BENEFITS

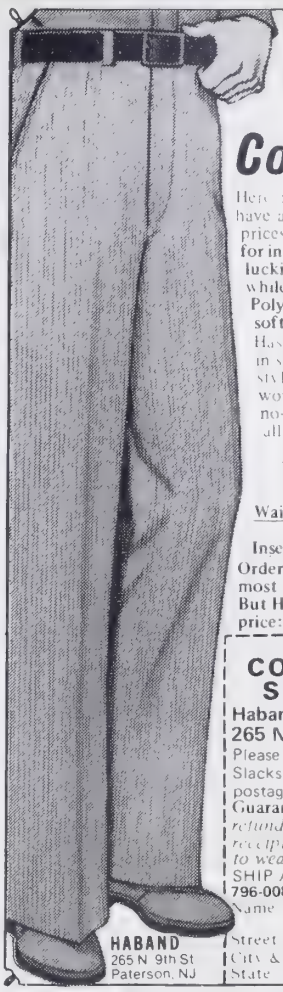


F. MILLIGAN, INC. Drawer 3408, Boulder, CO 80307

INSURANCE COMPANIES FOR SALE OR MERGER

Ordinary Life, Credit Life, A&H, Industrial, Fire & Casualty, Shells, Principals only. Please contact:
RICHARD O. TRENT
7201 Classen
Oklahoma City, Oklahoma 73116

EXECUTIVE GIFTS



That Indefinable Look of
Casual Self-Assurance
Yours in Haband's Best
Executive Division

Corduroy Slacks!

Here is the same impeccable tailoring you would have a right to demand in slacks that sell at designer prices! Like What? Like twenty-nine bucks per pair, for instance, "in the better department stores." And luckily, too, you don't have to sacrifice comfort while looking great, for these Warmer Weight 50% Polyester and 50% Cotton Corduroys keep getting softer and more comfortable all the time!

Hassle free, they wash & dry in the machine, keep in shape without ever pressing. Smart straight-leg style features our always-neat-and-trim deluxe woven linings, deep no-hole pockets, "Talon®" no-snag zipper. Already hemmed and finished, all set to go everywhere you do!

Choose Colors Buckskin TAN
Midnite NAVY
Hunter GREEN

Waist Sizes 29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-46-48-50-52 and 54.

Inseam Lengths 26-27-28-29-30-31-32-33-34.

Order now and be ready to look your best, feel your most confident, for all your leisure-time activities! But Hurry — they'll not be here long at this low, low price: *Mail this Coupon!*

NO-IRON **CORDUROY SLACKS** 2 pairs for only **24.95**
3 pairs — $37.25

Haband's EXECUTIVE DIVISION
265 N 9th St., Paterson, NJ 07530

Please send ..... pairs of Permanent Press Corduroy Slacks, for which I enclose $ ..... plus $1.25 toward postage & handling
Guarantee: Remittance refunded in full if upon receipt I do not choose to wear the slacks!
SHIP AT ONCE TO
796-008

Colors	Qty.	Waist	Inseam
TAN			
GREEN			
NAVY			

Name .....
Street ..... Apt # .....
City & State ..... Zip .....

HABAND
265 N. 9th St
Paterson, NJ

AUTOMOBILES

'79 Cadillacs Cost Less In Detroit

Dalgleish Cadillac has the lowest sticker prices in the U.S.A.
Buy your new 1979 Cadillac in Detroit from Dalgleish, the closest dealer to the Cadillac factory.
Before you buy any Cadillac, anywhere, anytime, call or see:

DALGLEISH CADILLAC
6160 Cass Ave., Detroit 48202
near the G.M. & Fisher Bldgs.
"Michigan's Largest Cadillac Dealer"
Phone (313) 875-0300
Call Lou Smulyan or Gene Schultz

SAVE $$$$ ON NEW 1979 CARS

Buy at Detroit prices—save on freight, too! Full factory warranty. Call toll free (800) 521-7257 for computer printout price, or mail make & model to:
BONDED BROKERS
2547-S Monroe Blvd.
Dearborn, Michigan 48124
(313) 565-5577. Specializing in Lincoln, Mercury, Ford & other "Big 3" makes.

SAVE HUNDREDS— EVEN THOUSANDS ON FOREIGN CARS!

BMW, Datsun, Jaguar, Toyota, even Rolls Royce and Mercedes. Factory Warranties included. Call or write: **Euro-American Collector Cars Inc.** for price quote info; 5019 McKinney, Suite 105, Dallas Texas, 75205 or 800/527-7330; 214/521-1615 in Texas.

EXECUTIVE GIFTS

An Alternative To The $21 Button Down Ours...$14.

100% COMBED COTTON OXFORD BUTTON DOWN

Finest traditional design and tailoring
Seven button front, placket sleeve, left breast pocket, double reinforced side seams and sleeves
Your satisfaction guaranteed
Blue or White. Sizes 14½-17½ 32-35

Huntington Clothiers
2206 BRYDEN RD. • COLUMBUS, OHIO 43209

Please send me 100% cotton shirt(s) @ $14.00 ea.
Add $1.75 for ship. & ins. regardless of quantity.
Ohio Res. add 4% sales tax.

Size ..... White Qty. ..... Blue Qty. .....
Pers. Ck. ..... Mstr. Chg. ..... Visa ..... Am. Exp. .....
Card No. .....
Exp. Date ..... Mstr. Chg. Bank No. .....
Signature .....
Name .....
Address .....
City .....
State ..... Zip .....

FE

Forbes: Capitalist Tool

When the satisfaction or the security of another person becomes as significant to one as one's own satisfaction or security, then a state of love exists.
HARRY STACK SULLIVAN

Many will hate you if you love yourself.
LATIN PROVERB

Life is so complex that a good old-fashioned hate is becoming a luxury.
WILLIAM FEATHER

I am clever; and make no scruple of declaring it; why should I?
LA ROCHEFOUCAULD

A Text . . .

And they bend their tongues like their bows for lies; but they are not valiant for the truth upon the earth.
JEREMIAH 9:3

Sent in by Domenico Barone, North Providence, R.I. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

The more you speak of yourself, the more likely you are to lie.
JOHANN ZIMMERMAN

Be not extravagantly high in expression of thy commendations of men thou likest; it may make the hearer's stomach rise.
THOMAS FULLER

Conceit may puff a man up, but never prop him up.
JOHN RUSKIN

People are always ready to admit a man's ability after he gets there.
BOB EDWARDS

Thoughts on the Business of Life

When your cup runneth over, turn off the tap.

*Why is it that those who pat their own backs too hard give us and not themselves a pain in the neck?**
MALCOLM FORBES

Is not dread of thirst when your well is full, the thirst that is unquenchable?
KAHLIL GIBRAN

The miser is as much in want of what he has as of what he has not.
PUBLILIUS SYRUS

We're all born brave, trusting and greedy, and most of us remain greedy.
MIGNON MCLAUGHLIN

There is a destiny that makes us brothers; none goes his way alone. All that we send into the lives of others comes back into our own.
EDWIN MARKHAM

Enough is often too much in our material world, but seldom enough in our material world.
ROBERT L. UPSHUR

Greed is the womb of disaster.
ARNOLD GLASOW

*The Sayings of Chairman Malcolm, *a collection of over 500 thoughts embodying the wit and wisdom of Malcolm Forbes. Now available at $5.95. Send check and order to Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.*

Selfishness can be a virtue. Selfishness is essential to survival, and without survival we cannot protect those whom we love more than ourselves.
DUKE ELLINGTON

In his private heart no man much respects himself.
MARK TWAIN

Do you wish men to speak well of you? Then never speak well of yourself.
BLAISE PASCAL

I have not hated the man, but his faults.
MARTIAL

Why should I be angry with a man for loving himself better than me?
FRANCIS BACON

Praise becomes dangerous when it makes us satisfied.
FRANK TYGER

When ability exceeds ambition, or ambition exceeds ability, the likelihood of success is limited.
ROBERT HALF

We live in this world when we love it.
RABINDRANATH TAGORE

The more you love, the more you can love—and the more intensely you love. Nor is there any limit on how many you can love. If a person had time enough, he could love all of that majority who are decent and just.
ROBERT A. HEINLEIN

Never think badly of anyone, not even if the words or conduct of the person in question give good grounds for doing so.
JOSEMARIA ESCRIVA

PONTIAC GRAND PRIX

OU'LL FIND SOMETHING NEW TO LOVE EVERY TIME YOU DRIVE IT.

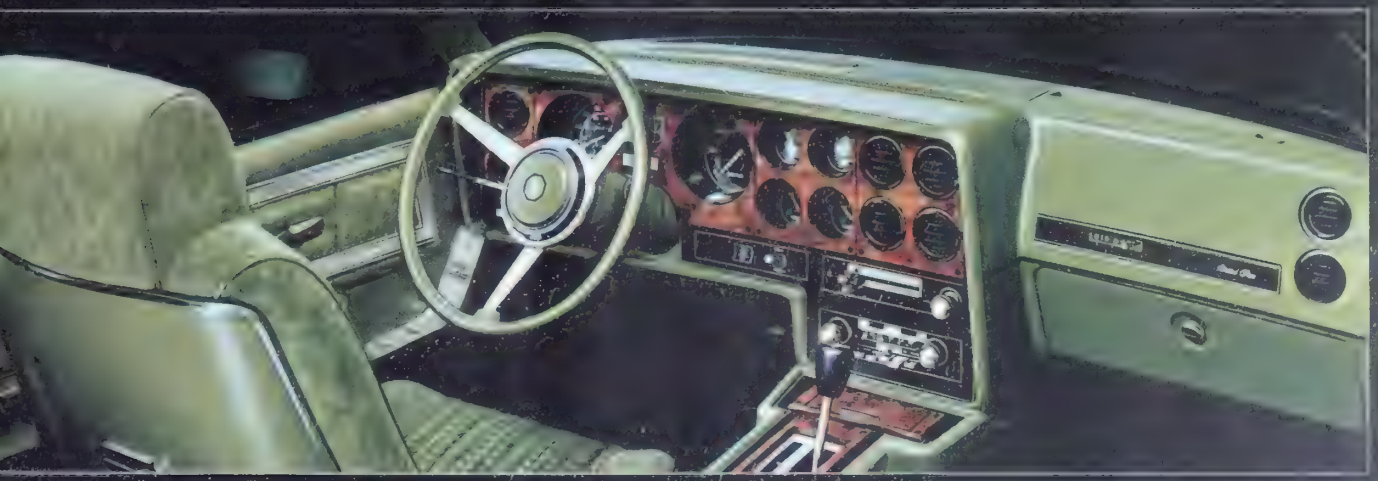
rst, it may be Grand Prix's beautiful, trim styling captivates you the most. With its rich, formal roof- And new cross-hatch grille.

ne next time, it may be Grand Prix's luxurious inte- that charms you. With its soft, available bucket seats. mpressive roominess. And impressive quiet, due in to special body mounts and door and body seals. s easy to fall in love with Grand Prix's road ability, too. There's a new freer breathing standard 3.8 litre (231-CID) V-6 that will amaze you with its response. Grand Prix is equipped with GM-built engines produced by various divisions. See your dealer for details.

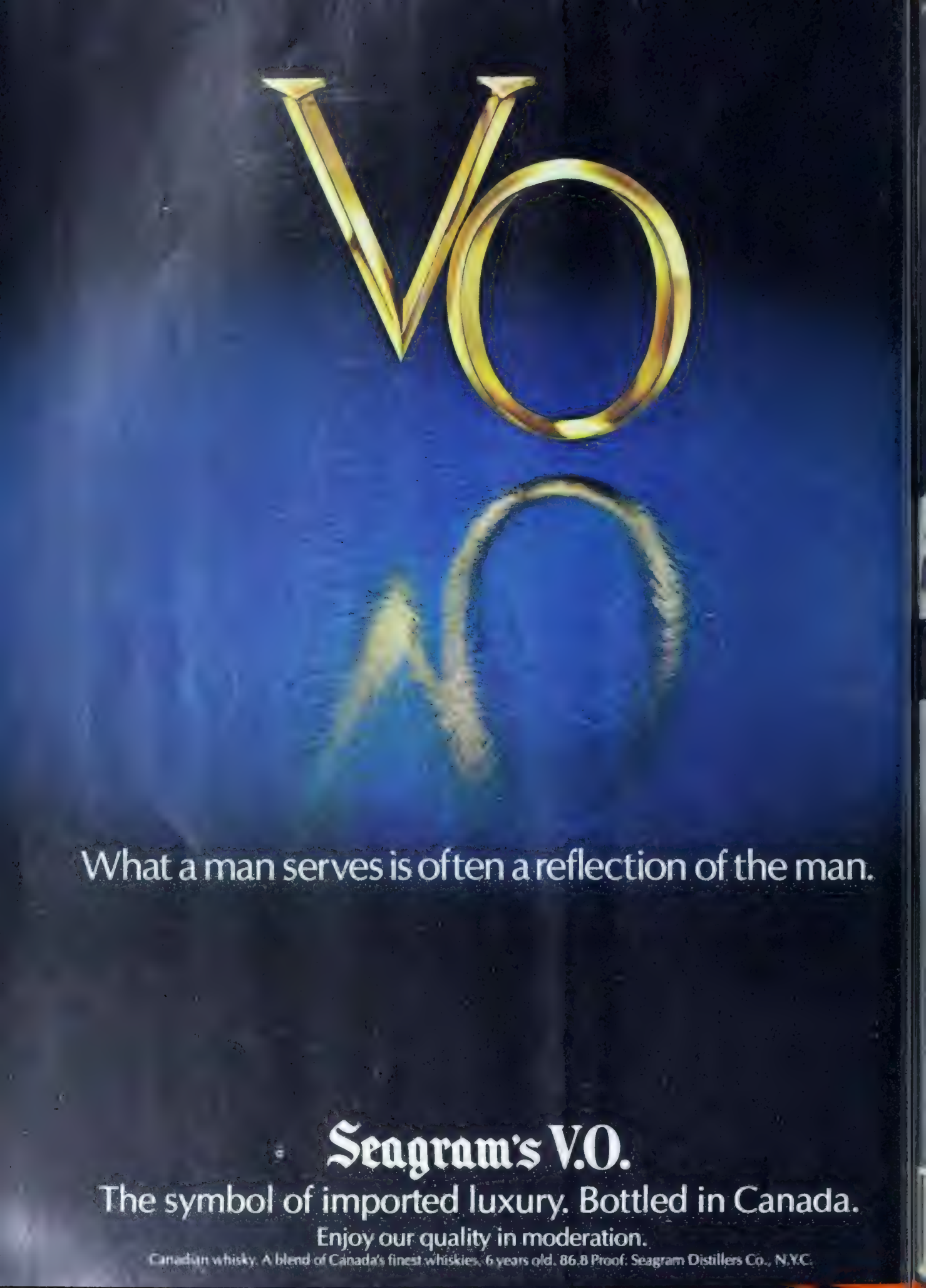
It all makes Pontiac's new 1979 Grand Prix one very enchanting automobile to buy or lease.

And makes owning one a love affair . . . that never seems to end.

GM



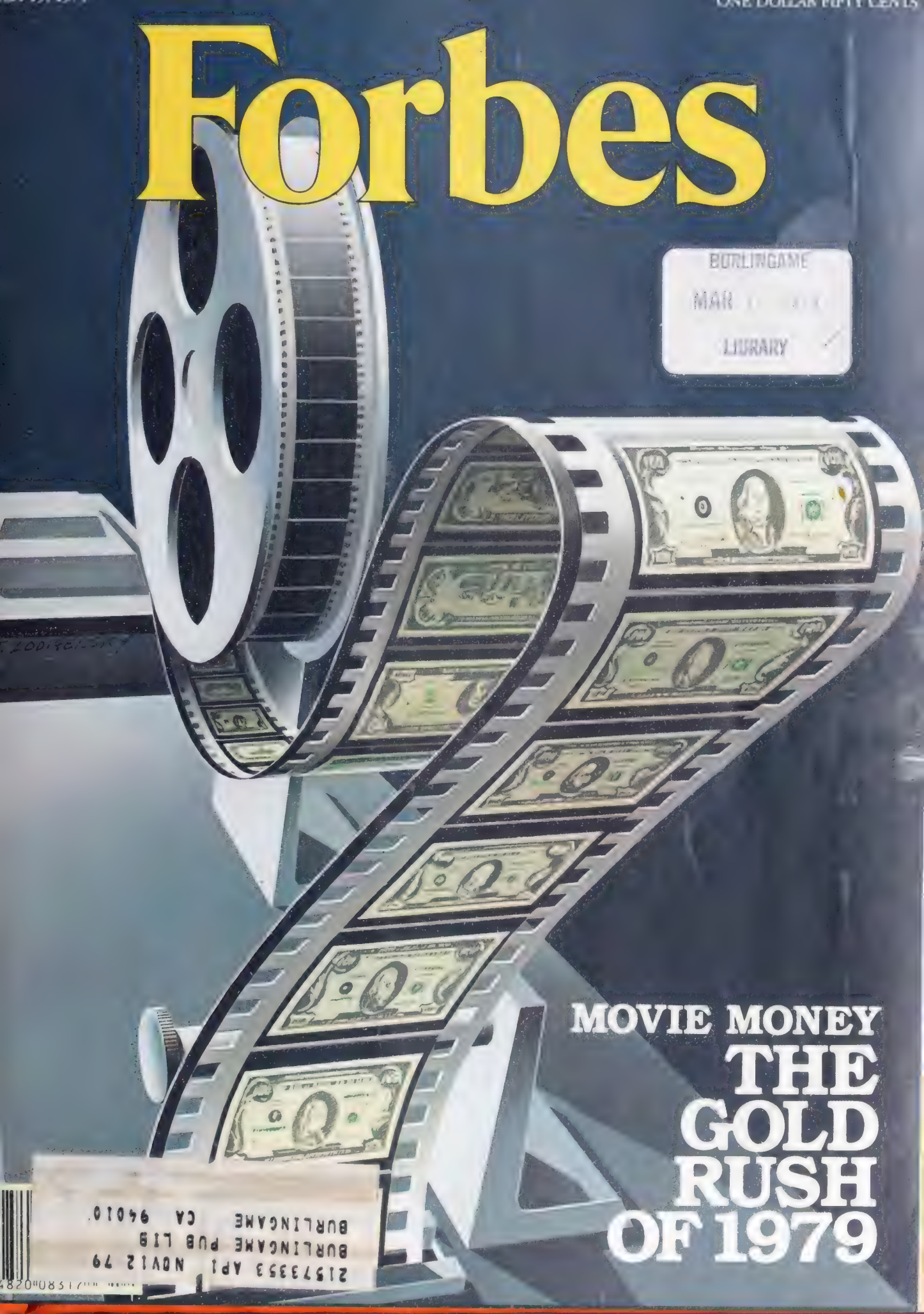
THE 1979 PONTIACS OUR BEST GET BETTER


VO
What a man serves is often a reflection of the man.
Seagram's V.O.
The symbol of imported luxury. Bottled in Canada.
Enjoy our quality in moderation.
Canadian whisky. A blend of Canada's finest whiskies. 6 years old. 86.8 Proof. Seagram Distillers Co., N.Y.C.

ONE DOLLAR FIFTY CENTS

Forbes

BURLINGAME
MAR
LIBRARY



MOVIE MONEY
THE GOLD RUSH OF 1979

21573353 API NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

How this beautiful body gets its gleaming beauty from an industrial products company like Colt Industries.

To transport foods and chemicals, a tanker must provide the ultimate in cleanliness and corrosion-resistance. That's why major manufacturers like the Heil Company fabricate their tankers from stainless supplied by our Crucible Stainless Steel Division. Performance in hostile environments makes Crucible stainless steels equally essential in chemical processing, petroleum refining, electric power generation, pulp and paper production, pollution control. Together with the other well-known Colt Industries products, Crucible stainless helps make us a leading supplier to major markets in the industrial sector of the U.S. economy. For our latest financial reports, write Colt Industries Inc, Dept. D, 430 Park Avenue, New York, New York 10022.

Colt Industries

Fairbanks Morse diesel engines • Fairbanks scales • Pratt & Whitney and Elox production equipment • Quincy compressors • Central Moloney transformers • Trent welded stainless steel pipe and tubing • Crucible permanent magnets and coil springs • Colt firearms □ Crucible specialty steels □ Holley carburetors • Chandler Evans fuel controls • Fairbanks Morse pumps □ Garlock industrial seals and components □ Menasco shock mitigation systems.

Automatic Transmission

Who else wants to save time, trouble and aggravation? At $99, Rapidial™ is America's lowest priced, best selling automatic dialer.

Forty-nine out of 50 executives surveyed said they found it an absolute necessity – even though they bought it for convenience or on a lark. And most prefer it to having their secretaries or switchboard operators place their calls.

Rapidial will help make your day. Every day. Imagine dialing a number by touching a button. And, then, having the number you are calling ring in a second. (Tell somebody you will call right back, and his phone will ring the instant he hangs up!)

Works with any phone — One line or 10. Even turns a rotary into a Touch Tone®.

F.C.C. approved, manufactured in the U.S. and guaranteed for one full year, Rapidial comes with a plug-in wall jack adapter (4-prong or modular combination) for phones with one or two lines. For permanently installed office phones with up to six lines we have an inexpensive, two-screw "sandwich connector". And for phones with up to 10 lines the phone company will install an RJ35X connection (for a one time charge of about $30).

Rapidial works on any line of any multiple line phone. It also works with rotary phones. In fact, you can use the Rapidial keyboard to place all your calls with Touch Tone speed and ease.

It's Hands-Free

Rotary or Touch Tone, using the Rapidial keyboard regularly has added advantages. First, it's hands free telephoning. With a built-in type speaker system. You lift the receiver only when you hear someone answer. Second, if the line processed is busy, Rapidial shuts itself off automatically, remembering the number so you can redial at the touch of a button—as often as necessary.

There is no call you can't make. What's more, every call—local, long distance, inter-office, even over seas, is easier and faster. With Rapidial you can store as few or as many as 10 digits (area code and number) in memory. If you have to dial "9" or "1" or both, need the operator, want to access a WATTS line or a PABX system, just touch the extra buttons you need plus the button with the number you're calling.

Bonus Features

About the size of a hand-held calculator, Rapidial sits neatly on your desk next to your telephone. Always ready with no off/on switch to worry about. The numbers in memory are identified on the panel on top. The lower section is the Touch Tone keyboard pad. An LED DISPLAY lets you check any number in memory. The PAUSE CONTROL sets the machine to wait for a dial tone. There's an AUTOMATIC CANCEL button if you change your mind or hit the wrong number. And the BATTERY BACKUP protects the memory in a power failure.

® Touch Tone is a mark of A. T. & T. Co.

Five Different Uses

For peak operation and maximum efficiency at the lowest cost, Rapidial stores 20 numbers in memory—eliminating wrong numbers and having to stop to look them up. Numbers entered in seconds and changed—any time—by Rapidialing the new number.

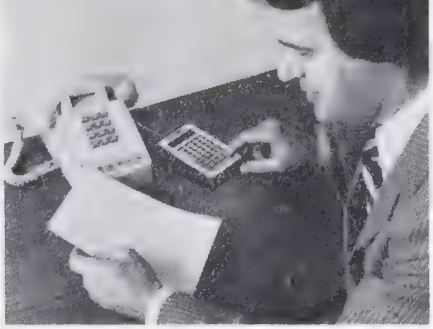
Basically it allows you to place frequently made calls yourself in an instant. In far less time, actually, than it would take you to tell your secretary to do it for you. With immediate access to emergency numbers.

Interestingly, our survey unearthed some rather surprising and highly enterprising additional uses.

For example, most executives store *both* their most frequently called numbers, family, friends, clients or customers, service organizations and suppliers...and those important but less frequently called numbers that almost always have to be looked up.

Others use Rapidial mostly for inter-office calls. Since remembering extensions is almost impossible. And it's kind of inconsiderate to have a man get on the phone with your secretary first all the time.

The Memo Caller—or daily telephone organizer—is one of the more intriguing uses we discovered. These men (or their secretaries) program each day's calls. Crossing off the ones that are completed (adding new ones as necessary). A glance assures you no one's been left out, no call back has been forgotten. And a touch of the button gets you the next man on your list.



Finally, many report leaving the bottom bank of storage cells blank. Reserving them for the flow of calls that always accompanies a special deal or negotiation.

$20 Less Than Retail...$50 Less Than The Closest Competitor's.

A repetory—or automatic dialer—from the phone company with 15 numbers costs $105 to install and $9 a month plus tax to lease—forever. For $130 you can get a 16 number dialer—with no keyboard of its own so it's only good for those numbers stored in memory. For $149.95 you can get a 20 number unit—but it's primarily for the home since a special telephone company installation for any multiple line phone is needed and it's not recommended at all for phones with more than three lines.

Rapidial will sell in stores for $119.95. But is being introduced by mail for $20 less. Why? To get as many as possible in use now by the kind of people Douglas Dunhill reaches by advertising in America's most influential publication.

So, you can have the easiest to use, most efficient and versatile unit on the market today for less than anybody else. And without risking one cent!

30 Day Trial

If your Rapidial isn't the executive necessity we described, the home convenience you hoped for, just return it in 30 days for a full refund. And we'll thank you for trying.

The price, including backup batteries and adapter for your wall jack, is just **$99.00** plus $2.50 shipping and handling. The Amphenol connection for multiple line office phones is only $19.95 extra. The adapter for the RJ35X is $19.95. (For the RJ35X connection itself, for phones with six or 10 lines, call your telephone business office.)

Deduct 10% from the price of the Rapidial on orders for ten or more. Call toll free to charge to your national credit card or send your check to Douglas Dunhill. (Illinois residents add sales tax.) You'll find it a far cry from standard transmission.

CALL 800-621-5554

Illinois residents call 800-972-5858

Douglas Dunhill
INC. AFFORDABLE QUALITY

Dept. 22-1839
Ten Douglas Dunhill Drive, Oak Forest, IL 60452

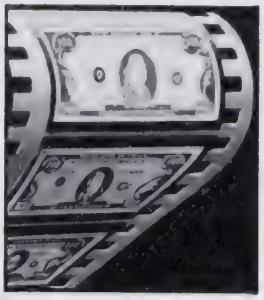
© Douglas Dunhill Inc. 1979

Forbes

March 19, 1979
Volume 123, Number 6

Automobiles: What do the Germans know that we don't? Two German auto companies are making it on volume that wouldn't keep Detroit alive a few weeks. **39**

Companies: Something terrible happened to Rohm & Haas on its way to $1 billion. **64**



Cover Story: Congress took away the tax-shelter bait for movies, but Hollywood is still attracting plenty of outside investment capital. **45**

Energy: Out of the energy crisis a whole new industry is being born. **86**

As I See It: A distinguished economist sees some hope—after a rough stretch—for the U.S. economy. **93**

Features

Trade: *The Awful Truth.* Is the U.S. really on the path toward closing its huge current trade deficit with Japan? Frankly, no. **33**

The Banks: *Another Blow To The Brokers?* Commercial banks would like to move in on some of Wall Street's juicy revenue bond business. Perhaps an environmental study is called for, to determine whether investment bankers are an endangered species worthy of protection. **35**

Cash Management: *No More Turtles And Hares.* Playing the float's a game. Cash management's a science. **36**

Companies: *The Happily Haphazard Conglomerate.* No Thorntonian synergy for Standex International Corp. No financial disasters, either. **38**

Health Foods: *Growing Up Among The Bean Sprouts.* And thriving. **52**

The Streetwalker: *There Ain't No Gratitude.* Everything's up to date at Ma Bell's, including the dividend. But not, alas, the stock price. **60**

Companies: *Don't Judge The Book By Its Cover.* Continental Oil's Howard Blauvelt is that rare executive willing to do things for which others will get the credit. **70**

Investment: *The Family Doctor.* It's bad manners to talk about money along Florida's Gold Coast. For the well-heeled who live there, the soft-spoken man from Bessemer Trust is a great comfort. **79**

Seminars: *Selling America Short.* Julian Snyder has nothing in common with William Jennings Bryan—except a rhetorical gift and a gloomy outlook. **99**

Companies: *Southland Buys As Others Sell.* Jon Brumley puts his money in the ground. So far, it's worked. **106**

Insurance: *Lloyd's Of New York?* For years Americans have been going overseas for reinsurance and extraordinary-risk insurance. Under New York's newly authorized insurance exchange and "free zone," U.S. investors may now get some of this big-ticket business. **110**

Retailing: *The Department Store Dentist.* Dr. M. David Isaak is a 39-year-old dentist with an entrepreneurial flair who believes his profession is an untapped multibillion-dollar market. He and some colleagues are doing somethin about tapping it. **11**

Statistical Spotlight: *Smaller Is Beautiful.* Considering how profitable spin-offs can be for stockholders, it's surpri ing more companies don't do them. Or is it? **11**

Faces Behind The Figures

Sidney Topol (Scientific-Atlanta, Inc.)
Patrick F. Noonan (The Nature Conservancy) **12**

Theodor Schmidt-Scheuber (ABD Securities Corp.)
Lee A. Pickard (PSA Government Inc.) **12**

Donald E. Ross (College of Boca Raton)
Frank W. Welch (Lincoln Memorial University) **12**

Money And Investments

The Economy: *Riding With The Winners.* A good many companies will report smart earnings gains this year—recession, inflation and oil notwithstanding. The trick is to find the cheerful parts of a pessimistic picture. **12**

Columnists

Ben Weberman **130**
Heinz H. Biel **132**
John Train **134**
Ann C. Brown **136**
Thomas P. Murphy **13**
Martin T. Sosnoff **14**
Stanley W. Angrist **14**

Departments

Side Lines **6**
Trends **8**
Follow-Through **12**
Readers Say **17**
Fact and Comment **2**
Other Comments **2**
Editorial Index **14**
Thoughts **14**

Credits: **Photos**—p. 8, Wide World; p. 33, UPI; pp. 37 top, 70 bottom, 94, 126 right, Bi Kelly; p. 37 bottom, Raimondo Borea; p. 38, Bob Hamor; p. 40, Robert Lackenbach/Blac Star; p. 46, Jim McHugh/Sygma; pp. 47, 48, Brian Wolff; pp. 52, 56, John Chang McCurdy; 64, Bernie Cliff; p. 79, Judith Gefter; pp. 80, 114 bottom, 124 left, Mike Evans/Liaison; p. 8 John Launois/Black Star; pp. 99, 100, 126 left, Ray Fisher; p. 110, Les Wilson; p. 114 to Dick Lowry; p. 120 left, Leviton-Atlanta; pp. 120 right, 124 right, Jim Pickerell; **Charts**—p 35, 129, Andrew Christie/Matrix Design; **Drawings**—p. 45, Ted Lodigensky.

Cover Illustration: Ted Lodigensky **Design Consultant:** Peter Palazz

Forbes (ISSN 00156914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave New York, N.Y. 10011. Copyright © 1979 Forbes Inc.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus.

6,000,000 Shares

Ohio Edison Company

Common Stock

(Par Value $9 Per Share)

Price $16½ a Share

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
Merrill Lynch, Pierce, Fenner & Smith Incorporated

DEAN WITTER REYNOLDS INC.

BACHE HALSEY STUART SHIELDS
Incorporated

THE FIRST BOSTON CORPORATION

BLYTH EASTMAN DILLON & CO.
Incorporated

DILLON, READ & CO. INC.

DONALDSON, LUFKIN & JENRETTE
Securities Corporation

DREXEL BURNHAM LAMBERT
Incorporated

GOLDMAN, SACHS & CO.

E. F. HUTTON & COMPANY INC.

KIDDER, PEABODY & CO.
Incorporated

LAZARD FRERES & CO.

LEHMAN BROTHERS KUHN LOEB
Incorporated

LOEB RHOADES, HORNBLOWER & CO.

PAINE, WEBBER, JACKSON & CURTIS
Incorporated

SALOMON BROTHERS

SMITH BARNEY, HARRIS UPHAM & CO.
Incorporated

WERTHEIM & CO., INC.

BEAR, STEARNS & CO.

McDONALD & COMPANY

PRESCOTT, BALL & TURBEN

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

SHEARSON HAYDEN STONE INC.

WARBURG PARIBAS BECKER
Incorporated

February 15, 1979

TALK
TO TH

It's one of Dana's principles of productivity.

Bosses don't have all the answers. The worker who does the job always knows more about it than his boss. But all that he knows can't be used unless he's free to talk about it. Especially to his boss.

At Dana, bosses listen. It's part of what we call humanistic management, giving people the freedom to work well, to grow and to share the rewards.

You can see the results in our productivity. It's more than doubled in the last 7 years.

Productivity alone doesn't produce profits. But we're balancing our output of parts for the vehicular, service and industrial equipment markets we manufacture for. So, as well as increasing productivity, we've improved our earnings year after year.

And that's not bad for a bunch of people who talk back to their bosses.

Dana Corporation, Toledo.

BACK
BOSS.

PRODUCTIVE PEOPLE

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr.
Contributing Editor: Richard Phalon
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver
Washington Bureau: Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager; Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Theodore Smith, Assistant Directors; Nikki Frost, Philip Gefter, Photo Researchers
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Lataniotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; Charles S. Thorn; John A. Wilson; Richard Calkins; James W. LaCirignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Manager
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Manager William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Manager
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager
Classified: Sarah Madison 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-620-2200

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Wrong diagnosis?

Never before has the economics profession enjoyed such oracular fame. The press and TV have discovered economics and are constantly calling upon its learned practitioners to explain inflation, to predict the business cycle and to analyze OPEC's impact. Reading it all we are reminded of the poet's "disputatious doctors." While we derive some comfort and understanding from their explanations, they seem unable and unwilling to throw much light on the big economic issues of our time. Can it be that economics has become so rarefied, mathematical and abstract that it is losing touch with the real world?

It is in the context of this question that FORBES is proud to present in this issue an interview with Sir W. Arthur Lewis, an economist little known to the public but highly respected both in the profession and within policymaking circles. This distinguished British-educa West Indian is now James Madison P fessor of Political Economy at Prince University. By his own admission, Le is is "an old-fashioned economis Meaning he draws his material not o from mathematical models or from cliches of latter-day Keynesianism also from history, society, culture. To the appropriate academic term, his multidisciplinary approach to what become an excessively narrow subject

Dr. Lewis' good news is that he does think the U.S. economy is in termi decline; we don't seem to have the Engl disease. His bad news is that we are i depression and taking the wrong steps get out of it; our doctors have mad wrong diagnosis and prescribed the wr medicine. For Dr. Lewis' diagnosis, the interview beginning on page 93.

The ripple effect

In tracing the ripple effects of Boeing's huge order backlog for commercial jets on suppliers in the aerospace business (FORBES, *Feb. 5*), John Merwin of our Los Angeles bureau ran into an enterprising fellow name of Dan Davis, who, along with two partners, has built a $5 million business creating custom aircraft interiors for sheikhs and other airborne aristocrats. Davis, in turn, was astonished by the ripple effects of a mention in FORBES. In addition to hearing from old friends he had lost touch with—so he reported to Merwin in a bemused phone call recently—Davis also was:

invited to do a one-hour radio talk show in Salt Lake City;

called by a vice president of a major car-rental company, wondering if he'd be interested in doing the seats for some airport buses;

sounded out by someone representing the Public Broadcasting Service, which apparently is doing a film on people who make custom products;

and, not least, was contacted by a representative of ever-enterprising Merrill Lynch who offered to guide his personal investment program and, while he was at it, wondered whether Davis would like his Custom Products of Sun Valley, Calif. to be placed on a list of companies that might like to be acquired. The ent prising man from Merrill Lynch was alone. Davis received calls from all s of people wanting either to buy his co pany or to sell him something.

Here in New York we were pleased the extent of the reaction Davis served, but not at all surprised. ■

At MAI our competitors are often our customers.

Originally, we set up **Sorbus Inc.** as a tionwide service organization to aintain and repair only the computer stems and peripherals marketed by AI.

But we didn't stay exclusive very long. Because many users of data-ocessing equipment, who formerly ied on the products of a single man-acturer, began to "mix and match" e products of several manufacturers. Desiring the convenience of one mpany to service all their equipment, many of these users turned to Sorbus as the logical choice.

At the same time, manufacturers of other data-processing equipment, not wishing to devote the necessary time or capital to the setting up of their own service networks, also, in many instances, called on Sorbus to become their maintenance arm.

Today, thanks to innovative and simplified techniques for the repair and maintenance of *all* types of data-processing equipment (even equipment made by companies that may compete with us), Sorbus has grown to become America's largest third party service organization.

MAI, a multinational company, also manufactures and markets Basic Four business computer systems and Word-stream™ word processing systems.

If you would like to learn more about the MAI companies, just send for our Annual Report and other literature.

It takes a smart company to make computer technology simple.

MAI

Management Assistance Inc./300 East 44th Street/New York NY 10017

The MAI Companies: Basic Four Corporation • MAI International Corporation • Sorbus Inc. Wordstream Corporation • Wordstream Products Corporation

Trends

Edited By John A. Conway

Promises, promises

President Carter's anti-inflation commander is doing a little inflating of his own. Chairman Alfred E. Kahn of the Council on Wage and Price Stability says he'll have to expand his staff from 110 to 233. He'll also need $5.2 million in extra money this year, another supplement of $8.5 million to run his shop in 1980 and still another of $8.5 million in 1981. When the wage-price guideline program was announced last October, the talk was all of austerity. "We're not interested in ma-and-pa grocery stores," one senior White House official commented. "We're going to have 135 people instead of 4,000 people in the monitoring end of this thing." So much for good intentions.

Eyes on the trigger

Is the "trigger price" machinery set up by the U.S. Treasury Department to curb the flow of imported steel working? The answer depends on whom you ask. An importers' trade group, the American Institute for Imported Steel, says it is, noting that the flow of foreign metal dropped by 32%, or 644,000 tons, from November to December of last year. The institute adds that it expects a "noticeable reduction" for February after a "slight surge" in January. Domestic steelmen, whose anguished screams prompted creation of the import-curbing system, see the other side of the ingot. (Imports set a record in 1978, 21 million tons, a 9.5% jump over 1977.) The American Iron & Steel Institute, while "somewhat encouraged" by the recent drop, is reserving judgment. "A single month does not make a trend," an AISI spokesman sniffs.

The gold bugs

Gyrating gold prices are dictating new management methods to industries that use the metal—and not just jewelry manufacturers and dentists. Eight years ago, when Richard Nixon freed gold from its 40-year-old, $35-an-ounce straitjacket, jewelers in the New York hub of the industry worked out charts to help their buyers and sellers, creating guidelines setting out price increases to match jumps in gold costs. (Users of pure 24 karat metal, for example, would raise their tags by so many percentage points whenever gold changed by, say, $5 an ounce.) Today, not only pure-gold men but even those working on "gold-filled" items (with perhaps a 2% gold content) have to watch the price-setters in London and Zurich. And others are getting into the act. Electronics manufacturers, who use gold in relays, solid-state gear and other devices, have their engineers working nights to cut the amount of gold needed or to find substitutes. (Replacements in use now, like silver and platinum, are precious metals, too, and are climbing right along with gold.)

The Fed's housekeepers

Don't tell the Federal Reserve Board a government agency can't cut costs and still increase productivity. Under a program instituted by former Fed Chairman Arthur Burns and carried on by his successor, G. William Miller, the central bank is doing both. During the past five years, the Fed has increased productivity by an average of 9.9% annually, compared with between 1% and 2% in the private sector. The Fed's 1978 operating budgets, Fed Governor Philip Coldwell told the Senate Banking Committee recently, were originally set at $722.2 million but preliminary results for the year, he was "pleased to report," were $718 million. "The Reserve banks," Coldwell added, "reduced employment by 650 people, compared with our budget estimate of a 486-person decline"—this despite a 7% increase in the system's work load. In all, Coldwell said, the Fed has reduced employment by 3,482 during the past five years and expects to cut another 489, or 2.1%, during the coming year. The story is the same throughout the system. In St. Louis, Fed President Lawrence K. Roos has cut his work force in three years by 24% (from 1,592 to 1,2 while the volume of work processed creased by 13.1%. In dollars and ce the St. Louis Fed's 1978 operating c were about $35.2 million, 1.7% ab the figure for 1977 but almost 1% be the 1976 outlay. The Reserve Bank Minneapolis scored similar results scrutinizing everything from refr ments served at bank meetings "cookie memo" became a byword) to cost of armored cars, a major item f district that sprawls from Upper Mi gan to Montana. Similarly, the New Y Fed, biggest in the system, cut its ch processing manpower from 775 in 1 to 642 last year, even though the tor of paper handled grew 3.2% to 1. billion pieces. Chairman Miller exasperate the White House every and then, just as his predecessor Bu did, but no one can quarrel with t housekeeping.

The campus crunch

Private colleges in the U.S. continu dwindle, with a net loss of 119 si 1970, according to the authorita *Chronicle of Higher Education*. During t stretch, 120 private schools closed, merged with other campuses, and went from private to public owners Offsetting that, 62 new private colle opened their gates, 19 of them in Cali nia. The majority of the schools folded were church-affiliated; onl handful of the new ones have a religi

Ex-Fed Chairman Arthur Burns, successor Miller and Mrs. Miller
An ongoing program of cost-cutting was part of the legacy.

Every day the whole world starts with *LEAD*

- and we're the largest U.S. supplier

Most of the internal combustion engines on earth and flying above it get their start from lead-acid storage batteries.

Cars, trucks, buses, ambulances, fire engines, aircraft, ships, boats, farm machinery, construction and materials handling equipment—a large part of all transportation depends on this basic power package—the lead-acid battery.

Today, an increasing variety of equipment, such as industrial lift trucks, power tools, golf carts, lawn mowers and portable pumps, is being driven with electric motors powered by lead-acid batteries. And there is a growing trend toward battery-powered on-the-road vehicles.

St. Joe is the largest and most advanced producer of lead in the U.S.

We pioneered in the development of the materials technology which made the maintenance-free battery possible. This has given us a new lead-calcium-tin alloy product line which we are supplying in increasing tonnages to the growing market.

But lead for packaged power is only one aspect of our growth with energy. We are a major producer of coal and have a sizeable and growing stake in oil and natural gas.

To learn more about us, write to Dept. 4 for our annual report.

ST. JOE
MINERALS CORPORATION

250 Park Avenue
New York, New York
10017
A BASIC SOURCE

SJ-941

When it comes to employee trusts, one bank stands out.

As you may have gath
from the Bankers Trust syn
pictured on the left,
Employee Benefit Trust
sion really is outstanding.

That's not just beca
Bankers Trust is one of
nation's leading manager
discretionary employee be
assets. It's because we also
as Directed Trustee and Ma
Trustee. And keep emplo
thrift and profit sharing rec
And disburse benefits. (We
offer Active Bond Mar
ment, and Index and Ma
Inventory Fund Services.)

Bankers Trust has mac
commitment to provide *all* t
services, or any one of t
And we're staffed in depth
all the work that this entails.

Our benefits research efl
for example, are unique in
industry, and recognize
such. We can provide you
more comprehensive info
tion than any other bank.

In the pension busi
we've had some 60 year
experience. Bankers Trust
neered in the field of sav
plans, stock purchase plans,
employee record keeping
fact, we are the largest truste
savings plans in the country.

No matter what your
pany's needs, Bankers Trust
handle your employee ben
requirements with a con
tence, professionalism
enthusiasm unequalled in
industry.

But this isn't limitec
employee trusts alone. In
wherever you see the Ban
Trust Pyramid, you're dea
with a full service bank in
fullest sense of the word,
the capacity to raise, lend
manage money worldwide.

A visit to the
Pyramid can be a
rewarding ex-
perience.

Bankers Trust Compar

Member Federal Deposit Insurance Corp
© Bankers Trust Company

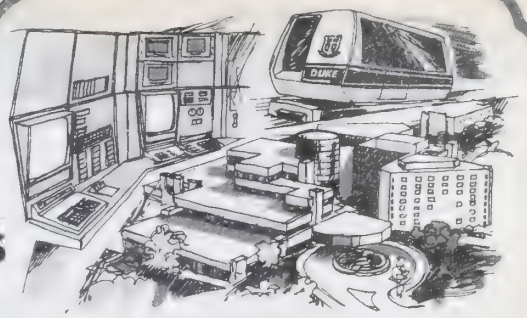
nection. And all colleges, new and , have an extra worry this year: They subject to President Carter's volun- wage and price curbs. Hikes in tu- n, fees, room and board will be com- ed to let Washington determine ether a school is holding its increases ow the prescribed 1976-77 level.

E pluribus unum

cOhio Corp. has delivered a 200- nd application to the Comptroller of Currency for permission to merge 40 ts 41 banks into one institution, a ve the holding company's chairman, ert G. Stevens, thinks is unique in his ustry. One immediate result of the solidation will be to raise BancOhio to ut 30th place among U.S. banks, with 5 billion in assets. Prestige aside, Ste- s says, it will also create "a new eco- nic entity" in Ohio. Most of his banks, explains, are small, with lending lim- under banking rules, of about 0,000 to $300,000—not much when n farmers are buying fleets of $50,000 ctors. Even the company's biggest k, Ohio National, has a limit of $12 lion to a single customer. With the rger, the new BancOhio will be able to d up to $30 million to a single borrow- nternally, the new setup will end what vens calls the "dis-economies" and "slows" of excessive paperwork and ay needed to handle big borrowings on ultibank basis. It will also help Banc- o cope more efficiently with out-of- e banks from New York, Chicago, the st Coast and other centers, competi- n that has made Ohio what Stevens s the "most thoroughly worked area in country." He will worry less, he says, ut "those young fellows running und the state with 3 or 4 million lars in their pockets to lend."

Rating the banks

eral regulators should make public financial condition of all banks, not those rated as "problems," according he General Accounting Office, Cap- Hill's official investigative agency. A GAO report to the Congress says giving all federally insured banks lic ratings would be a "more appro- te" way of showing the state of the ustry than the present method of sin- g out a few hundred banks each year ad risks. A year ago, the Federal De- t Insurance Corp. tagged 270 institu- s as "problem" banks and noted 779 rs that needed closer supervision. GAO is proposing no small task— FDIC insures deposits in more than 00 U.S. banks. ■



Robertshaw's automation system at Duke Hospital North will operate sophisticated systems for patient care.

Duke University Medical Center is building one of the world's most modern hospitals, using advanced concepts for both medical and mechanical operations. Automation control by Robertshaw will cut energy usage, speed maintenance and service, facilitate overall performance. Computer-directed systems will allow one man to supervise building comfort, life safety, security and many other functions.

Robertshaw also will control such specialized tasks as avoiding costly peak demand electricity usage and setting up smoke-free exit routes.

Tailored automation systems are among the 10,000 products made and marketed worldwide by Robertshaw.

For details, write to Robertshaw Controls Company, Dept. D90, P.O. Box 26544, Richmond, VA 23261. Or call 804/288-3081.

Exports: ask for Robertshaw International Operations.

Robertshaw®

The Energy Control Company®

If you want sound advice about hotels in New York, ask an executive who travels.

Business people who travel acquire enormous sophistication about hotels. They love crystal chandeliers. But they're more favorably impressed by firm mattresses, hot breakfasts, attentive room service and easy checkouts.

They favor hotels that are centrally located, but out of the traffic. A prestigious reputation doesn't hurt. In fact, it reinforces an executive's stature when telling a client where to call. For nearly half a century, Essex House on Central Park has catered to the world's most sophisticated executives. We cater with such courtesy that our executive friends often bring their families. And they all tell their friends.

If you don't know someone who loves staying at Essex House, don't fret. Next time you're in New York, stay with us anyway.

We maintain volumes of fan letters. We'll show you a few. And do everything in our power to make you want to write us your own fan letter!

Marriott's. ESSEX HOUSE
New York's Grand Hotel

160 Central Park South, New York 10019
For reservations, call your travel agent or 800-228-9290 toll free. Telex 12-5205.

ACCOUNTANTS: Work for Yourself!

Start or expand your own bookkeeping, accounting and tax practice with a system perfected through 30 years of experience . . . resulting in Comprehensive® accountants now serving over 16,000 monthly business clients.

Our large-scale computer quickly and efficiently provides your clients with complete financial data—every month. For information on how to join our nationwide network of independent accountants, contact V. A. Cox. . . F3

Call toll free (800) 323-9000

or mail this coupon today!

Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ _____
(area code) (best time to call)

COMPREHENSIVE
accounting corporation

2111 Comprehensive Dr. • Aurora, IL 60507
Illinois residents call collect: (312) 898-6868

Official Tabulators for the National Easter Seal Telethon

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).

Canadian orders, add $4 a year.

Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager, FORBES, 60 Fifth Avenue, New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)

New Address:

City

State Zip

F-4826

Follow-Through

The electric car (cont'd)

For three years, FORBES has been waiting at the curb for those waves of electric cars that would let the U.S. thumb its nose at OPEC. In 1976 a cover story *(Oct. 15)* proclaimed that the new federal plan to develop electric cars "just might turn on the electric-car switch at last." But Congress, alas, had given no funds. A year later FORBES *(Follow-Through, Oct. 15, 1977)* found that the Energy Research & Development Administration had signed contracts for two designs—one with General Electric Co., the other with Garrett Corp.—but the cars themselves were still far over the horizon.

Last June ERDA selected five private companies to operate the new electric vehicles ("EVs"). Congress had produced $30 million to spend on 165 EVs for private use and another 35 for U.S. agencies. To run the private ones, ERDA named AT&T (which will operate 20 in Culver City, Calif.), New York's Consolidated Edison (40) and Long Island Lighting Co. (60), Florida's Disney World (20) and Penn Jersey Subaru in Pennsauken, N.J., a dealer that will sell or lease 25 to individuals and small companies.

More important, today some EVs are actually on the road. LILCO got its first three last fall and has ordered its entire allotment. Con Ed got its first EVs last month and will give them to work crews in Manhattan, for inner-city driving, and in Queens, for a suburban workout. AT&T's manager of auto operatio Harold McGee, expects his first del eries—GMC vans—in April. Disr World and Penn Jersey Subaru have to decide which of the available mod they will use.

The numbers may be minuscul AT&T's 20 hand-crafted EVs will van into a fleet of 180,000 gasoline-powe vehicles—but the fact that the progr actually has wheels is important. P Brown, director of the EV project, poi out that he is getting money, the a test of support in Washington. For fis 1979, Congress raised the ante from initial $30 million to $37.5 milli which will suppport cost-sharing expe ments for 600 EVs for state and lo governments, federal agencies and p vate companies. Brown also notes w pride that even with the White Hou ukase to cut, cut, cut, his EV program $41 million for fiscal 1980.

So the EV is at least out of the gara but a long, long way from becomin chip in the game of dealing with OPE

After the fall

When the first new-issue boom of t Sixties ended with a thud, FORBES *(N 15, 1963)* surveyed the wreckage wit look at the 101 major new offerings (million or more) sold in 1961 and ea 1962. The overall picture was gri These offerings had raised $630 milli for the issuers and had given $70 milli

A Con Edison man gets ready to put one of its electric cars on the road
Don't get carried away, but the no-gasoline car is at least out of the garage.

"Our vote went for Kodak copiers. Great service had a lot to do with it."

Ruben Canny
The Marquardt Company
Van Nuys, CA

Dealing with NASA and the military makes fast, quality copying vital for this aerospace concern. As Ruben Canny, director of marketing and administration at Marquardt, sees it, getting quality work out fast is paramount.

What was your situation before going with Kodak?

We had a variety of copying equipment, which made service more of a problem. We figured we'd be better off concentrating on fewer makes of copiers.

And what made you decide to try out Kodak copiers?

Well, the name Kodak meant an awful lot to us. We needed a high-quality copier that would get the work out fast —and dependably. So we decided to give Kodak copiers a try.

And how have things gone so far?

We've had Kodak copiers for eighteen months now. We have not only been pleased with the quality of copies but also have experienced a minimum of downtime. We've had excellent response from your service people when we needed them. They're quick and they know what they're doing.

So you're satisfied with your Kodak copiers.

I don't believe we should ever start thinking we're satisfied. Just a couple of months ago, we ran a comparison test with various other available equipment to see if we could find a better copier for our purposes. No question about the results. The people involved voted for Kodak copiers as best able to meet our copier needs.

To The Marquardt Company, as with many other Kodak customers—the feeling of security that Kodak service provides is a real plus. Kodak service, plus Kodak quality, adds up to one thing: more predictable performance. And what makes it work—month after month, year after year—is the Kodak service representative. By training and design, he or she has just one responsibility: making sure that Kodak equipment works the way it's supposed to.

For more details, drop us a line. Contact: Dan Cannan, Eastman Kodak Company, Customer Equipment Services Division, Dept. K903, Rochester, New York 14650.

Kodak

Kodak service pays off in performance.

© Eastman Kodak Company, 1979

"It's Talbot. He doesn't play anymore. He just likes to show off his Foot-Joys."

EVERY GOLFER OUGHT TO EXPERIENCE FOOT-JOYMENT.

The joy of wearing golf shoes that make you look terrific, and feel great. Fifty-five handsome styles in the world's choicest leathers. All made to give you the proper balance of comfort and support by the people with the most experience. All leather, foam cushioned, flexible lightweight construction. At your golf shop.

Follow-Through

more to brokers and underwriters, l the investors had not prospered. Two o of three stocks on the list were selling less than their original offering pr when FORBES looked at them in 1963.

How has the list fared since? Not t well. Half of FORBES' original 101 ha disappeared, some through merger, so through sale of assets, some through t bankruptcy courts. Some survivors, i true, did prove bonanzas. True believ who bought International Flavors & F grances have seen it grow more th 1,300% since 1961. Becton, Dickinso which started off selling at 6⅛, reach 62 and now stands at 34. Malone & Hy the grocery wholesaler, has increas more than 900%. Then there were t others. Unishops, launched at 3½, hi high of close to 50 in 1969 and now sells less than 2. Adjusted for splits, Howa Johnson's offering price was 4⅜; its hig in 1973, was near 35, but it now sells 10. Greenfield Real Estate Investme Trust (now GREIT) went off at 20 and now 7. FORBES' 1963 warning still stan "Don't reach too far . . . and take a go look at what you buy."

The camel in the tent

The first reaction of the chairman Sam P. Wallace Co., Inc. when a Sau Arabian entrepreneur bought into t Dallas mechanical construction firi was one of delight. "With Ghaith Pharaon as a partner, we have more wo than we can handle," Carl P. Wallace, son of the company's founder, to FORBES *(Oct. 1, 1977)*. Pharaon, who ow a $1 billion development firm in his ov country, had become Wallace's bigge stockholder after buying 1 milli shares—850,000 of them from Car brother Robert.

Fourteen months later FORBES *(Feb. 1979)* had a different story. Carl Walla was in federal court, fighting to keep h Arab partner from taking full control the 76-year-old family company. No Pharaon has written finis to the tale. T Wallace board has accepted the resign tion of Carl Wallace and named its pre dent, R.D. Buckner, to succeed him. S multaneously, the company dropped i suit against the Saudi businessman b cause, Buckner explained, "we had mi understood Dr. Pharaon's intentions seeking to acquire control." The ma who opened the door to Pharaon, Robe R. Wallace, stays as vice chairman and director, though he now owns only a fe hundred shares. Carl still has 25% of th company's stock and good reason to r call his 1977 statement that "Pharaon a good businessman; the Arabs ha been trading for 2,000 years." ■

Now—the no-rent, no up-keep branch office from the Bell System.

You can do business in a distant city for only $16* a month.

Thanks to the new miracle of Remote Call Forwarding—RCF—you can open a "branch office" in a distant city where there is potential business for your firm. Without investing in office space, equipment or additional help.

Your cost? Only $16* a month.

How RCF works.

The Bell System will assign your firm a local telephone number in the city where you want to develop new roots. And to establish your identity in this city, your company will be listed in both the white and yellow-page directories. *At no additional cost.*

Your customer in the remote city simply dials your local number, and the call is automatically forwarded *directly to you... with no waiting and without operator assistance.*

All you pay for your new "branch office" is the low monthly service charge of $16* plus the low direct dial rate for each incoming call. Since your RCF number is connected to your regular business phone, *no telephone is needed in the distant city.*

RCF—fast, convenient, inexpensive.

RCF establishes your identity in another city. Your customers and field representatives can call you locally and directly.

Though you're physically located in a distant city, to your customers you're only a local phone call away.

Now you can grow with your market.

RCF offers you the opportunity to explore new markets—practically without investment.

To begin, you may only want to start out with RCF service in a single market. Later, you may want to open additional markets. No problem. You simply add RCF as you need it.

As you'll find out from a Bell Account Executive, there are countless applications for RCF.

Find out from the Bell System how we can help your business grow.

Your business has special needs. This is why you should talk to a Bell Account Executive. We can tailor service to *your* specific needs.

*$16 is the typical monthly rate for your first RCF number, with slight rate variances in some locations. In addition, a nominal service connection charge usually applies. Each call forwarded is charged at low direct dial rates and is applied to your RCF bill. Your Bell Account Executive will advise you on the availability of RCF in the market area you choose.

There's no obligation of course. Call our toll-free number right now—while you're thinking about RCF.

800-821-2121

Anywhere in the contiguous United States
(In Missouri call 800-892-2121)

Or, if you prefer, just complete and mail the coupon below.

Bell System Sales Center 105-005
811 Main Street
P.O. Box 1418
Kansas City, Missouri 64141

YES! I'm interested. Tell me more about Remote Call Forwarding and how it will benefit my firm. I understand there is no obligation on my part.

Name_____

Title_____

Company_____

Address_____

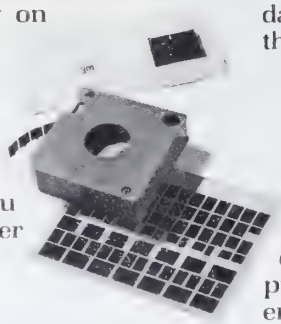
City_____ State_____ Zip_____

Area Code_____ Business Phone No._____

Bell System

Nobody can shrink the cost of storing data the way 3M can.

To save money on your company's computers, store less data in them. You can file and retrieve active data just as quickly and for less cost when you marry your computer to a 3M Microfilm System.



You store the data on microfilm. You use the computer to index each document location. So the computer tells you where to find information instead of printing it out. You save costly computer operating time, yet locate documents with pushbutton ease. Computers and 3M Microfilm Systems. They work together to file and find information quickly and at less cost than either one alone.

Call your local 3M Business Products Center or write Micrographic Products Division, 3M Company, St. Paul, MN 55101.

Business Products Center

3M

Marriage contract

R: Your article on divorce, "The high st of leaving," *(Feb. 19)* prompted me draw up a prenuptial agreement with y fiancée. The main clause—I get RBES, she gets *Business Week.*
Robert P. Sylva
dford, Mass.

United Way's accounting

R: In Side Lines *(Feb. 5),* discussing the icle "Is charity obsolete?" you said, Most major health agencies present nsolidated financial statements, often wn up according to generally accepted aritable accounting principles. But cusly, United Way does not (few of the encies United Way funds do, either)." There is no single audit of all 2,300 al United Ways and thus no consolied statement because each United y is an independent legal entity. Nevheless, United Ways and their agens do adhere to stringent accounting d budgeting practices. In 1974 United y of America published an accounting de that is recognized as a classic.
ohn W. Hanley
airman,
ard of Governors,
ited Way of America
xandria, Va.

R: Put a price tag on the hours and les of volunteers, especially mental alth volunteers, then see how the aritable organizations stack up.
lam S. Kurtz, M.D.
sing, N.C.

R: How can we, as businessmen, dend an end to government overregulan of our affairs when we can't even a charitable fund drive without turng it into a company store. The decision whether to make and to whom to ke a voluntary gift is supposed to be a edom protected by the First Amendnt, but you'd never know that at too ny major corporations during United y season. Won't we ever learn?
atrick Maguire
cutive Vice President,
ncerned Citizens For Charity
Francisco, Calif.

: You report fundraising expense of Red Cross in 1977 as 23%. I strongly agree with your approach to deterning our fundraising expense—excluding from public support monies those eived through local United Way campgns and ascribing all Red Cross membership and fundraising expense to the remaining components of public support. You made an error in computation that drove the figure still higher than it would otherwise have been, even if your approach were valid, which it is not. I stand by our 1977 annual report, and the audit conducted by the U.S. Army Audit Agency. This audit indicates a fundraising expense figure of 3.66%.
—George M. Elsey
President,
The American National Red Cross
Washington, D.C.

FORBES *made an error in calculation, but defends its method for calculating fundraising ratios, which is the same method that the National Information Bureau uses for agencies like United Cerebral Palsy. On that basis, Red Cross' corrected fundraising ratio is 16.7%*—ED.

SIR: We look on your charity piece as a careful, objective review of a complex and sometimes emotional area, dealing with the many views and prejudices surrounding our world of "not-for-profit."
—Arthur A. Gallway
Vice President,
The National Foundation
March of Dimes
White Plains, N.Y.

SIR: The figures on "total giving" and a breakdown of where the money came from used in your story were taken from our publication, *Giving USA.*
—John J. Schwartz
President,
American Association of
Fund-Raising Counsel, Inc.
New York, N.Y.

No bull, that

SIR: This is no bull *(see picture, reprinted from Fact and Comment, Feb. 19).* The animal is a crossbred Friesian milk cow. Quite harmless. A case of either too much bubbly or a misogynic FORBES Trinchera ranchero.
—John Dunn
President,
Dunn Cattle Co. Inc.
Lansing, Kan.

MORE BRITISH THAN A STIFF UPPER LIP.

Nestling near Belgrave Square, London, is the Ladbroke Belgravia Hotel. Central, but blessed with a distinct air of tranquillity.

It's small, friendly and exceedingly civilised. It has 110 rooms, each equipped with colour television, direct dial telephone, and individual air conditioning.

It's the kind of hotel where your drink is served, not in an ordinary glass, but in one of cut crystal.

Where, between sips, you can nibble on a canape or two, chosen from those presented on silver trays by the waiter. Asparagus and smoked salmon, perhaps, or a piece of robust English cheddar.

Should disaster have struck earlier in the day, or at best just minor inconvenience, you'll discover a needle and thread in your room to help rectify the situation.

The bathrooms are complete with a telephone extension, so you can retain your dignity, instead of having to scutter, dripping, to the bedside table.

And if we can't provide you with a certain something, it's really nothing to worry about.

Harrods is just round the corner.

Ladbroke Belgravia

LADBROKE BELGRAVIA HOTEL · CHESHAM PLACE · LONDON SW1X 8HQ

For reservations call 800 621 8336 (in Illinois call 800 972 8089) or see your Travel Agent.

Let Barron's help you make your money grow.

3 months (13 issues) only $9.

You're in the market to make money. So are the Thompsons. They found out you need Barron's to do it. When they let their subscription run out, they discovered they had lost their top source of market information.

The kind of information that can help you spot investment opportunities in their early and developing stages—that can help you anticipate likely problem situations and avoid pitfalls. It's information you won't find in the local paper.

"When we stopped getting Barron's, we lost our best source of market information. We sure got Barron's back in a hurry!"
—Harold and Gretchen Thompson, Houston, Texas.

intrinsic values of your securities. Here, too, is what the analysts are saying—what long-time Wall Street observers are thinking.

3 months trial only $9.

Try Barron's for 3 full months—13 weekly issues—for just $9. See for yourself how well it can keep you informed—can help you make your money grow. To begin your trial subscription, simply fill out and mail the coupon today.

Vital financial statistics.

You're able to put your finger on financial statistics fast. Because Barron's gives you the complete story on all the listed stocks, all the markets. It keeps you on top of yields, dividends, daily and weekly highs and lows.

Analyses, opinions and insights.

Barron's is more than figures. It gives you hard facts about the future of industries, companies and the markets. Facts that can affect your investments—that reveal the

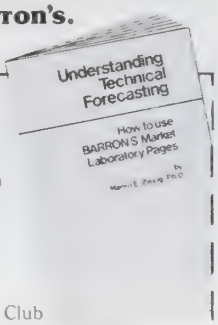
You get this free bonus.

When you begin your Barron's subscription, you'll receive a copy of our 32-page booklet, *Understanding Technical Forecasting: How to use Barron's Market Laboratory Pages.*

It shows how you can use Barron's to forecast possible market trends, plan investment strategies and time your market moves.

Begin your Barron's subscription now. Mail the coupon right away.

Today is history.
Tomorrow is Barron's.



BARRON'S, 200 Burnett Road, Chicopee, Mass. 01021
The National Business and Financial Weekly from Dow Jones

Yes. I want to see for myself how Barron's can help me make my money grow. Begin my subscription as indicated. I understand, upon receipt of subscription payment, I will receive my free copy of *Understanding Technical Forecasting How to use Barron's Market Laboratory Pages.*

☐ 3 months (13 issues) for $9. ☐ 1 year (52 issues) for $36.

☐ Payment enclosed. ☐ Bill me. ☐ Bill my company.

☐ Credit card. ☐ American Express. ☐ Visa. ☐ Master Charge. ☐ Diners Club

Card number

Expiration Date _____ Signature _____

Name _____

Company name _____

Address _____ Floor/suite _____

City _____ State _____ Zip _____

2B884

Readers Say

SIR: I would hazard an educated guess (a longtime rancher) that the animal is the udder sex.
—James W. Matthews
Fairbanks, Alaska

Independent Shell

SIR: Your article "How Shell caught up *(Jan. 22)* was a good and fair account what I said, but your readers might for an erroneous impression that the U. operations of Shell Oil Co. are controll from some headquarters in London a The Hague. This is not the case. Shell C Co. is a public corporation controlled b its own independent board of directo and run by its own management.
—C.C. Pocock
Chairman,
Board of Directors,
Royal Dutch/Shell Group
London, England

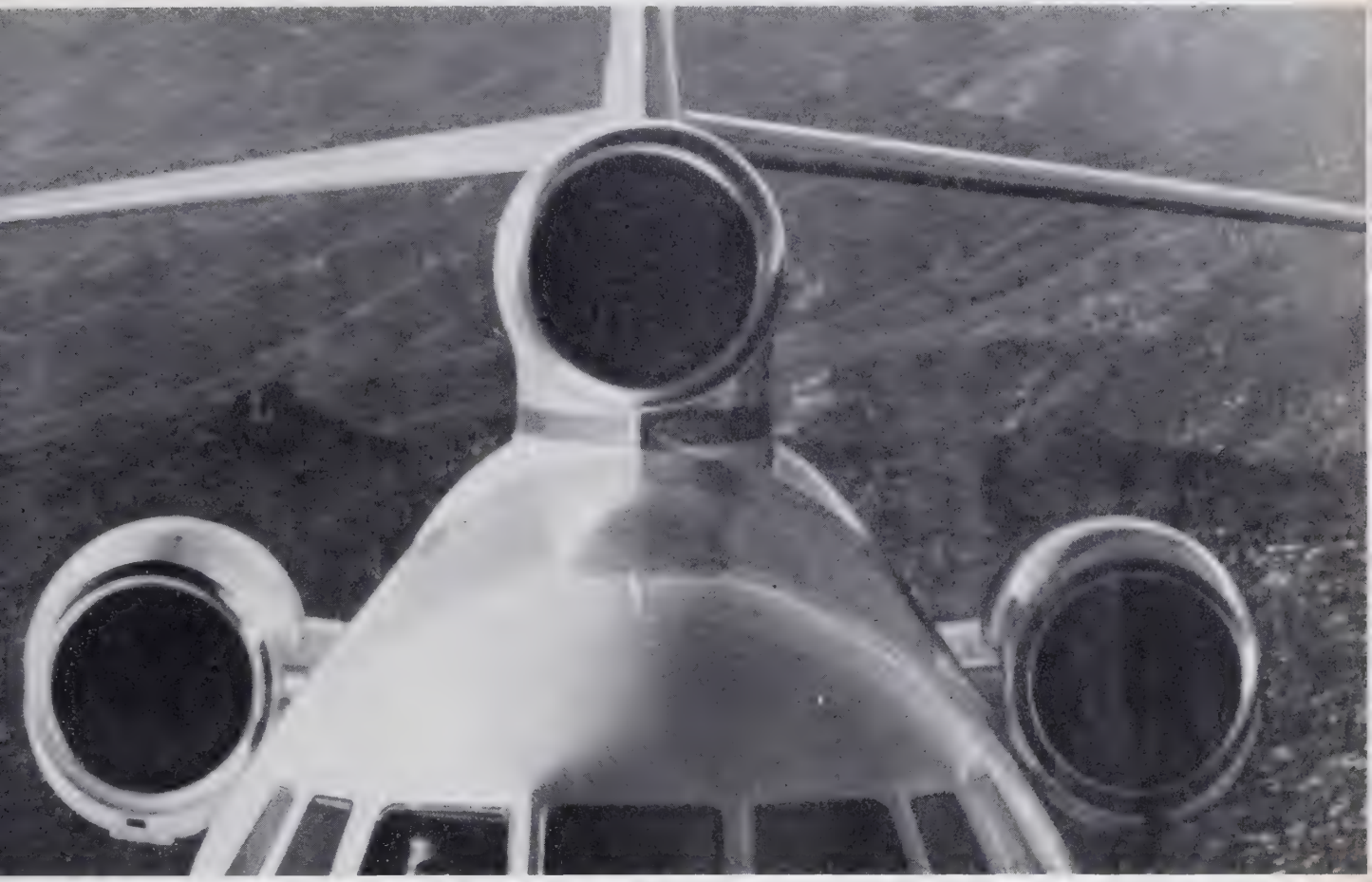
SIR: In the article on Royal Dutch/She you say General Atomic, a partnersh operation with Gulf Oil, which aimed t develop a new reactor technology, is no largely out of business. The statement true when referring to our commerci nuclear power business. General Atomi however, has never been more active i contracted fission and fusion power r search and development programs, a in addition has a number of successfu commercial businesses. We have mo than 2,100 employees.
—Earl Zimmerman
Director,
Public Relations & Advertising,
General Atomic Co.
San Diego, Calif.

Smart advertising?

SIR: I am hard pressed to tell you whethe our "Butler Building? Wrong" campaig has done our competition any good *(Fa and Comment, Feb. 19)*, but we are recei ing twice as many qualified sales leads a before.
—G.A. Schumacher,
Advertising and Sales Promotion Manager,
Varco Pruden
Memphis, Tenn.

SIR: My only concern is that Butler competitors may get smart and sta their own individual advertising.
—George C. Dillon
Chairman,
Butler Manufacturing Co.
Kansas City, Mo.

THE NEW FALCON 50



THAT THIRD ENGINE. A VERY WELCOME SOUND.

Right now, there's no law against venturing out over vast oceans or trackless jungles in a private plane with only two engines. Right now, that is. And some firms take that risk. But did you know this: The FAA does not allow commercial airliners with two engines to stray beyond one hour's flight from a suitable airport. Sane rule. Safe rule.

However, three engines make life a lot easier. And long-range flight a lot simpler. For with three engines, you can forget about this FAA rule. You needn't fly the longer, slower routes. You fly direct. Much faster. And that third engine makes it possible.

Say hello to another Falcon first: The newest long-range jet. The only long-range jet with three engines. Mighty nice to hear that third one purring softly, reassuringly overhead. It's there to help the Falcon make time. Move fast. Save fuel.

You'll want to find out more about the Falcon 50:

It's the strongest jet. Tackles turbulence without throttling down.

It seats 10-12. A practical, economical size.

It's the fastest long-range jet. From Teterboro, N.J. to Paris, France in 6½ hours. A new world's record.

It's the *longest* long-range jet. More than 3,500 miles. The most versatile, too. Masters runways as short as 3,000 feet.

And, yes, the Falcon 50 is a Falcon through and through with all the famous Falcon features. Such as full redundancy for *all* critical systems.

You'll want to weigh all of this. Carefully. And you can. For all the facts and figures on the newest long-range jet—the Falcon 50—just write on your letterhead. Address Tom Turner, Vice President-Marketing, Falcon Jet Corporation, Suite 320, Teterboro Airport, Teterboro, N.J. 07608.

The Falcon 50: Brand New. Tried and True.

FALCON JET CORPORATION

Nature has a way of protecting its own. So do we.

In-state expansions have accounted for 56% of Georgia's industrial growth over the last ten years. Because Georgia industry has prospered in a business-oriented environment where taxes are equitable and stable. And the unemployment insurance rate is the fourth lowest in the country. If you need a location conducive to profitable growth, come to Georgia. We'll protect your progress. For more information, including confidential site selection assistance, call or write: W. Milton Folds, Commissioner, Georgia Department of Industry & Trade, 404/656-3556, P.O. Box 1776, Atlanta, Georgia 30301, Dept. FB-95.

Georgia

Important Notice For:

EXECUTIVES...CORPORATE COUNSEL... LAWYERS

Second edition of "Lawyer's Register By Specialties And Fields of Law" for those who select counsel for specific legal needs and who wish to communicate with corporate counsel.

- New and greatly expanded to include the majority of active lawyers in U.S. identified as certified or designated in a legal specialty or concentrates practice in a field of law.
- Easily usable . . . lawyers classified under 158 different fields of law.
- Includes . . . firm name, address, telephone, most with biographical, legal experience.
- Members of Lawyer-To-Lawyer Consultation Panel are identified.
- Corporation counsel identified by title and classified by company.

Now in final state of compilation. To order directories, information on listing, call collect or write:

Directory, $35
(no shipping charges on prepaid orders.)

(216) 248-0135
Lawyer's Register by Specialties And Fields of Law
5325 D Naiman Parkway
Cleveland, Ohio 44139

Readers Say

No doomsday here

SIR: Your article "The boss in the sla mer" *(Feb. 5)* follows on the heels o *Wall Street Journal* article entitled, " Some at Harvard, Telling Lies Become Matter of Course." This business sch teaches a course called "Competitive D cision-Making" that calls lying "stra gic misrepresentation."

When Hamlet asked Rosencran "What's the news?" and was to "None, my lord, but that the worl grown honest," Hamlet replied, "Th is doomsday near." Based on Harva Business School's influence on the U business community, we at least do have to worry about doomsday in c time.

—Charles F. Yarham
Cleveland, Ohio

The elitest is you

SIR: Sorry you can't see the forest for t trees, or haven't watched public TV sin the early 1960s *(Fact and Comment, F 19).* As of November 1978, public TV watched in over 27 million homes; ha white/nonwhite viewership proportio ately equal to the U.S. population dist bution; 59% of public TV viewers hav high school education or less; over 72 have occupations in clerical and sal skilled/semiskilled, or not in the lab force; 66% have incomes of less th $20,000 (30% less than $10,000) i household.

We have met the elitest and it is yo

—David J. Brugger
General Manager,
TV Station WUFT
Gainesville, Fla.

SIR: I would think that the people w watch PBS are the same ones who re FORBES. What's so wrong with that?

—Robert N. Johnson
Pampa, Tex.

SIR: Your remarks about 8% of TV s being on during morning hours are in curate. From 7 a.m. to 10 a.m. televisi is used in 14% of the homes; from a.m. to 1 p.m. in better than 20%. Th are something like 1,200 meters in t Nielsen sample. Your comment that "t television that the public wants to see exactly what they get on the Nielseniz networks" is well put.

—Stephen H. Raffel
Vice President,
Harrington, Righter & Parsons, Inc.
New York, N.Y.

THIS MAN IS A GLUTTON FOR HAPPINESS.

At a time when many people are fed up with the quality of new cars, 9 out of 10 people who buy new Volvos are happy.

Having bought five Volvos, the man you see here is ecstatic.

He's Henry Clemons, an interior designer from Massapequa, New York, and he's been buying Volvos since 1969. He's managed to keep all his old Volvos in the family, giving one to his wife, and passing three others down to his sons.

Mr. Clemons estimates he's put a quarter of a million miles on the Volvos he's bought. He's constantly recommending them to friends and business associates. "I've probably sold thirty Volvos that way. My local Volvo dealer loves me."

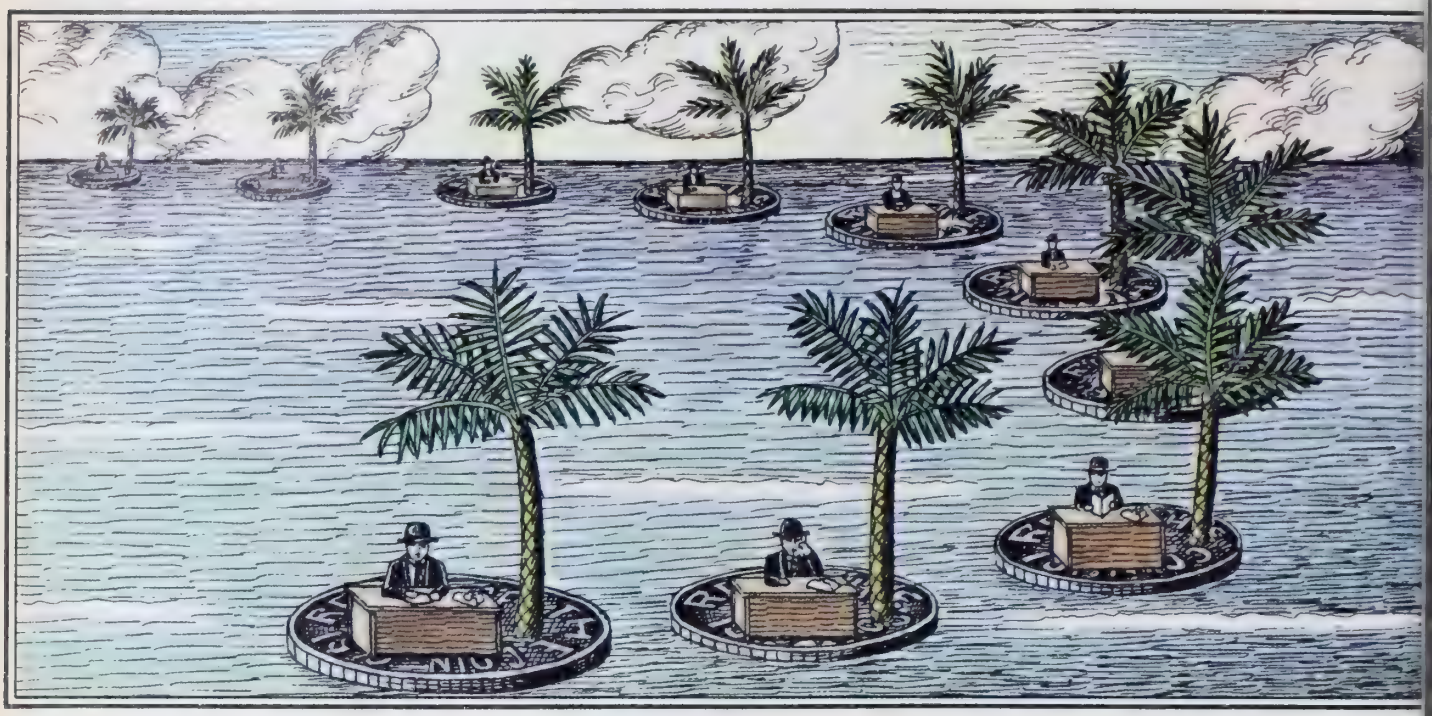
If you've never felt this kind of love for a car you've owned, consider a Volvo.

Better to know one-fifth the happiness Mr. Clemons has known than never to know happiness at all.

VOLVO
A car you can believe in.

©1978 VOLVO OF AMERICA CORPORATION · LEASING AVAILABLE

The Widening World



Simplified placement of insurance, cost benefits, and the availability of professional management services are all factors behind the continuing growth of captive insurance companies.

A brief review by INA of an insurance topic of interest to business executives.

For a growing number of American companies, the insurance subsidiary or "captive" is an idea whose time has arrived.

There are now at least 1,000 captives, both individually and group owned, operating worldwide. Over a hundred have been formed in the last two years alone. Moreover, with costs continuing to escalate for full risk protection through conventional policy coverage, captives are expanding both the volume and scope of their underwriting activities.

Most captives were originally formed to write insurance for the parent company or group only, but as they grew in experience (and in capital surplus) some began to accept risks from unrelated outside companies. This makes the captive more of a full-fledged insurance company, with possibly important tax consequences.

At one time, a captive was considered feasible only for the very large company or trade association, and the capital outlay required may still rule out a wholly-owned captive for many companies. But many captives are now being formed by groups and medium-sized firms.

The Bermuda angle

Many captives today – about 700 of them – are based in Bermuda, where capitalization requirements are less stringent and investment and financial reporting rules more relaxed. American multinational companies that do not restrict their captives to doing business with the parent company find Bermuda particularly advantageous, since income derived from overseas insurance operations is not taxable until the funds are repatriated.

With the advent of the captives, Bermuda has become a world insurance center, handling as much as two billion dollars in premiums each year. Of this, as much as $500 million is outside business not related to the captives' sponsors.

What has led companies to establish captives? Essentially, a captive represented an extension of the self-insurance trend – a

# of Captive Insurers

ction to situations in which mmercial coverages for certain ks had become either un- ilable or prohibitively costly.

Lower expense ratios

Today, however, with com- rcial insurance less restricted, motives are largely financial.

When insurance is placed di- tly with the captive, a com- ny may be able to realize a vings of the commercial urer's overall administrative ts. On the other side of the ger is the cost of executive ne, as well as any fees for the tive's management.

In addition, retention of pre- um reserves by the captive in- ad of an insurance company have important cash flow ad- ntages for the parent company. ch funds may be legally availa- for company investments t otherwise might have to be anced through bank loans. d the fact that a captive can nsure a large part of its risks mitigate against the disas- us loss – at reinsurance rates t can be lower than those for mary insurance.

Backing and fronting

Reinsurance, in fact, can play a key role for a captive, since many parent company risks are too large for a captive to handle without the backing of another insurer.

In one arrangement, the parent company pays premiums directly to the captive for primary insurance, but a large amount – say 80% – of the risk is immediately transferred to a reinsurance company. Or, in another arrangement called "fronting," the parent pays all premiums to a primary insurer, which then cedes perhaps 50% of the risk to the captive as the reinsurer. In some cases the captive handles part of both the primary and reinsurance coverages.

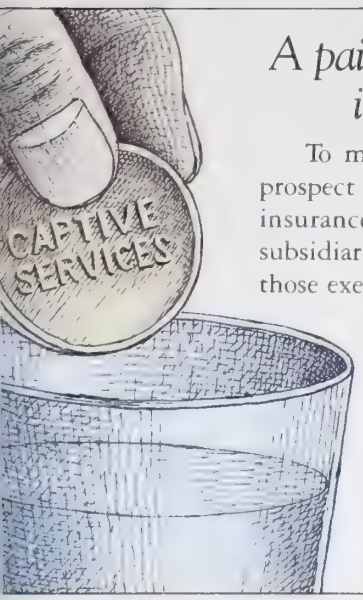
All of these arrangements involve some major tax considerations. In general, the IRS today disallows the tax deduction of premiums paid to wholly-owned captives, except to the degree that the risks are shared by other insurers, on the ground that such captives are merely a form of self-insurance. Challenges to this IRS ruling are now in the courts. If, however, the premiums go to a captive organized by a group and not dominated by any one company, they are likely to be deductible.

A decision about setting up a captive can be difficult. The first step should be a comprehensive survey of the company's risk exposures and insurance coverages, together with all other relevant factors such as cash flow and financing considerations. If the study suggests that a captive is advisable, insurance brokers and some insurance companies – including INA – can be instrumental in its creation and management.

* * *

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance and financial service companies. In property and casualty insurance and risk management services, life and group insurance, health care management, and investment banking, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on current trends in captive insurance, write INA, 1600 Arch St., Philadelphia, Pa. 19101.



A painless way to acquire insurance experience

To most company executives, the prospect of sudden immersion in the insurance business via an insurance subsidiary is not an enticing one. For those executives, some insurance companies and brokers have a solution: working with the risk manager, they can provide all the management services needed by a captive – including underwriting, financial management, loss control and claims handling.

INA
The Professionals

TASTE
BEAM'S PREMIUM SOUR MASH.
YOU'LL NEVER DRINK
ORDINARY WHISKEY AGAIN.
You're in for extraordinary pleasure every time you enjoy the extraordinary taste of Beam's Premium Sour Mash. Aging for 101 months in barrels of American white oak mellows the taste. So does the charcoal filtering that follows.
The secret Beam recipe works a miracle of flavor that we bottle as 90 proof Beam's Premium Sour Mash Black Label. Ask for it by name.
AMERICA'S FINEST PREMIUM WHISKEY... TASTE IS WHY.
90 PROOF
BEAM
SOUR MASH
AGED 101 MONTHS
Black
Kentucky Straight Bourbon Whiskey
JAMES B. BEAM DISTILLING CO.
CHARCOAL FILTERED
SINCE 1795
90 Proof, Kentucky Straight Bourbon Whiskey, Distilled and Bottled by
The James B. Beam Distilling Co., Clermont, Beam, Ky.

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

CARTER MAY BE IN A LOT OF HOT WATER

h a lot of assorted groups—often because he is saying no en he should.

ome happenings hurtful to his image were beyond his ver to alter, *i.e.*, Iran *(see editorial below)*, China and tnam, the Afghanistan assassination, Meany's continued assination of Administration policies, and so forth.

ut there is one battle that, if he stands firm, can eventually t this President of dwindling popularity into a sort of ratio-at-the-bridge role: a determined carrying out of his nt against inflation. Hanging tough for a budget aimed at ntual balancing; lessening our world trade imbalance; en-raging the Federal Reserve to slow the expansion of money; measurably curbing enormously costly federal regulation.

That he intends to stand firm he reiterated before a group of mayors and governors who were demanding more rather than less in the way of handouts. Said he: "There are going to be a lot of pressures on you to relent on the anti-inflation program, some of them benevolent and some selfish pressures. There will be great temptations for you to listen to those who say: 'Take the anti-inflation measures out on others, not us.' But I can promise you that I am not going to back down. I am not going to yield to pressures of any kind."

If that proves to be the case, Carter's reelection won't be the hopeless case so many of his aspiring successors like to think.

"SEND IN THE MARINES" IS SO EASILY

d and, with few exceptions, nearly impossible. Such action easily be catastrophically counterproductive.

ake the case of Iran, when some unthinking hotheads ed their voices demanding that our military "go in" and get erican citizens safely out. If the Iranian armed forces and elite Imperial Guard couldn't protect the legal government from revolutionary street mobs, imagine what would have happened to some airborne U.S. troops—if they could have found a field to land in.

Our Ambassador and the U.S. played it cool under extreme circumstances. That saved American lives, where bluster could easily have blown them away.

OUR FAILURE IN IRAN

sn't our low-keyed action in extracting Americans from sical danger. Our dangerous failure was in not having a clue what thin ice the Shahinshah was skating.

Ve're more to blame than the CIA.

ecause of the abuses that came to light after Watergate, ve near castrated that unit. It's held accountable to one ree or another nowadays to eight Capitol Hill committees; irectly, to even more. We have plucked out our Intelligence s and ears everywhere.

We had better put them back. Swiftly.

This nation and the Free World aren't going to survive blind, nor are we going to impose our version of the Marquis of Queensberry rules all around the globe.

Elementary intelligence tells us that it's vital for our country and its survival, for freedom's survival, that we have superior Intelligence. As well as spies and Eyes in the skies, we need human eyes around the earth and ears to the ground if we're going to hold our ground.

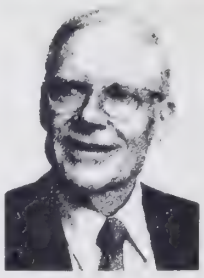
SADAT'S GOT EVEN MORE CHUTZPAH

n the Arab world, the Israelis or the rest of the world may e him credit for.

magine, with the Shah's Iranian future indisputably nil, and h the Egyptian-recognized (de facto) Khomeini government ing Morocco to return the Shah for trial (which those hright and gutsy people certainly won't do), Sadat renews his invitation to the Shah and his family to return for a further Egyptian visit. Instead of quaking, an unafraid Sadat continues to befriend a man who had supported Egypt in its extreme financial need when he was under no necessity to do so.

I think that Sadat's continued display of moral fiber gives hope for eventual, meaningful Israeli-Egyptian peace.

ONE OF THE MOST BRILLIANT TOP EXECUTIVES



to shed his light on some of us here at FORBES recently is Bill Baker, president of AT&T's Bell Laboratories. With twinkling, unmatched clarity he explained how the unfettered laboratories of an AT&T or an IBM can bring forth from their brains and bounty incredible new techniques, open up undreamed-of new horizons. Writes Baker in the *Journal of the American Academy of Arts and Sciences:*

"Because of the relief of drudgery by use of computers in the routines of mental information processing, we shall see greater and greater adventures into now distant scientific realms, such as the behavior of elaborate natural systems of the weather, of geophysics, of the oceans, of biology, of ecology, and, of course, of the sociology of man himself."

In some compelling remarks on the subject "Is Knowledge Useful?" Dr. Baker observes:

"There must be about ten times as many people of high talent working to transform new basic knowledge into use as there are seeking the new basic knowledge."

Let's explore the too-frequent adversary relati ship between government and business with co eration and intelligent coordination on the search level, this Bell Lab CEO says, "because applications of science for the benefit of m through industry and government increasingly pend on the conception and design of large int acting systems. I see boundless opportunit through the use of logic machine systems to resolve the p zles of cosmology, of life, and of the society of man. And, abo all, I see that automation, once viewed as an ominous, Fr kensteinlike threat to personalism and humaneness, turns to augment especially the bold individualism of new though

In a letter following our luncheon, Bill Baker writes: "S ence and technology, like so much of free enterprise, is a ris and sporting business."

Risky and sporting enough for corporate R&D without added burden of harassment and haranguing from politicos a bureaucrats.

THE WASHINGTON STAR

The other day we heard someone term this Time Inc. acquisition "as the equivalent for Time that land warfare in Asia was for the U.S.A."

"UNEASY LIES THE HEAD . . ."

Kings, dictators, rulers by whatever name come and go just like the rest of us—except that an infinitely higher percentage of these Heads roll precipitously and sooner than those of their subjects.

This thought came to mind recently when reading one of those fascinating *International Herald Tribune* features under the heading "Seventy-Five Years Ago." This item was dated June 12, 1903:

"The king and queen of Serbia were assassinated yesterday in their Belgrade palace when a group of political conspirators, composed mainly of army officers, marched to the palace and demanded the abdication of King Alexander. When the king replied to the summons with a pistol shot, a massacre took place, with the conspirators murdering the king, queen and members of the royal entourage. The town was occupied by the conspirators and Prince Peter Karageorgevitch proclaimed the new king of Serbia."

You may recall that it was in Serbia's Saraje 11 years later, that World War I was triggered wh the Archduke Ferdinand of the Austro-Hungari Empire and his wife were done in by conspira Princip's bullets.

Many are betting that the Serbian pot will b again when Yugoslavia's Tito *(left),* of Croati extraction, dies. And that day can't be all that away. Tito's domination has been so total that no deputy w real support from all the perpetually feuding races that make Yugoslavia is visible in the wings.

Moscow's grimly determined to haul these independe minded Slavs back behind the Iron Curtain. The Russians w be ready to put fires out there if they start, and to start some they don't.

This towering Russian threat may be just the thing, thou to keep the Serbs, the Croatians and the Slovenes determin ly united when Tito passes.

HAVING TRAVELED MUCH FOR MANY YEARS

to many foreign lands, I never cease to be grateful that English has become almost everybody's second language. Of necessity, most other educated people have to learn at least one other language in addition to their own. It used to be French, the language of diplomacy until World War I.

It is another real weakness of our educational system that so few young Americans are required nowadays to learn a second language. You'd think Spanish would be high on the list, because it is the language of our neighbors in South and Cent America, except Brazil and a few others. In the Caribbean, many parts of the Pacific, in North Africa as well as the Iberi Peninsula itself, Spanish is the language. For the career-mi ed, of course, Russian has specific potential uses, and now, t Chinese.

If you're raising young, it would be wise to encourage th to master another tongue in addition to the lingo of their pee

EARLY INTO PORNOGRAPHY

t the age of 13, I was invited not to return to boarding ool. I had been mimeographing a school paper in competi- with the established one. Among other things it featured a column, and one clipped from somewhere told of "the ntminded professor who kissed the streetcar goodbye, ped on his wife and went to town."

nonestly thought it was an absentminded professor joke. he headmaster honestly thought I was lying through teeth.

He then announced that the paper would be censored beforehand. Incensed, I ground out a manifesto of discontinuance to protest this threat to "a free press." He would have kicked me out but since it was during the Depression and rebating the tuition balance was unaffordable, this pornographer was allowed to finish. Dad defended me and the freedom of the press, and the following fall off I went to another school.

Imagine today being bounced from school for such a mild—and unintentional yet—transgression!

I'M SURE BETTY CROCKER HAS A BETTER

e of humor than her Daddy Warbucks, General Mills. obody can prescribe recipes for all American housewives not have to chuckle at some of the results and responses. it when a New York publishing company brought out a ne bartender's guide and called it *The Betty Cooker Crock Book for Drunks,* General Mills finally won an injunction to halt its sale on the basis that their trademarked Betty would suffer in public esteem.

It wasn't Ms. Crocker who suffered, it was General Mills—from a lack of judgment to go with its lack of a sense of humor.

THINKERS PERISH

Thoughts don't.

SUSTAINING A THOUGHT

is harder than having one.

THE REMARKABLE DIPLOMACY OF PETER GRACE

By M.S. Forbes Jr.

The record of businessmen taking a hand in diplomacy has not been salutary. Back in 1915 Henry Ford earned widespread ridicule when he chartered a ship, filled it with pacifists and sailed off to Europe to try to end World War I. Several years ago then-billionaire H. Ross Perot naïvely jetted around the world trying to persuade governments to persuade North Vietnam to release American prisoners, or at least to let Perot give them his planeful of Christmas goodies.

W.R. Grace & Co. boss Peter Grace, however, is not your run-of-the-mill businessman and, as recent events have shown, he is not your usual businessman-turned-world-savior. It was he who recently made it possible for Chile to avoid a crushing economic boycott by acting as a catalyst, a mediator between the unions and the Chilean government.

He had no axes to grind, no vested interests to protect. W.R. Grace had not been involved in Chile for more than a decade and has no plans to go back. But the Grace name was well respected in that country. Grace was also a close, longtime friend of George Meany. They served together (Grace as chairman, Meany as president) with the American Institute for Free Labor Development, which trained Latin American labor leaders.

It was a gutsy decision. If his involvement in a tricky situation backfired, Peter Grace would receive more scorn than appreciation.

Last November Grace read in the newspapers that George Meany and his fellow AFL-CIO chieftains had decided to go along with European unions and support a boycott against handling Chilean goods, a harsh blow to a trade-dependent nation. Reason: Chile's suppression of trade unions.

Chile's President Pinochet and W.R. Grace's Peter Grace

Grace was aware that in recent months the Chilean regime's human rights record had very much improved. He also knew a labor boycott would devastate Chile's impressive economic recovery. Given the changed political climate in Chile, Grace thought it unwise for American unions to undermine this anticommunist regime. Moreover, the boycott wouldn't help our balance of trade; we had a more than $200 million trade surplus with Chile.

Jetting promptly to Chile, Grace had a meeting with strongman Augusto Pinochet, when he learned how difficult his task would be: Pinochet told him that Chile was in no mood to make concessions "under duress."

Meany's reply to Grace's original overture was also discouraging, but Grace persisted. Finally Meany agreed that he and his colleagues would meet with Chile's powerful, articulate finance minister, Sergio de Castro.

In Chile, Pinochet fired his hard-nosed labor minister and replaced him with a moderate who felt, like Grace, that significant concessions would have to be made to Chile's unions.

More than once the situation threatened to unravel. The payoff came on Jan. 15 at the meeting of The Inter-American Regional Organization of Workers, the official organization that was to give the formal go-ahead for the boycott. The labor leaders, however, agreed to suspend the boycott, and Chile agreed to meet four critical union demands (such as the right to strike and the right to assemble) by June 30.

After countless hours and three trips to Chile, Grace's Kissingerlike activity succeeded. Not without reason, the Chileans have termed him "The Golden Bridge."

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Dig that Dazzle

We dropped in the other day for a conversation with H.R.H. Tutankhamun, last pharaoh of the 18th dynasty, just as his much-mitted extravaganza "Treasures" was about to open. We asked the slight, dark monarch if his spectacle had a theme.

"Yes. It's about gold, man. Heavy metal. I mean, I'm quite comfortable with gold. I was into gold very early. I was into gold when there was none of this $230-an-ounce nonsense. Gold doesn't *unnerve* me. But I'm not most people. Most people, they see a little gold—I mean, a little gold that's not in a *wristwatch* or something—they begin *shedding* skin, man."

—*The New Yorker*

Freedom from Advice

"Besides the hopes of being safe from Persecution in this Retreat," William Byrd wrote in 1728, "the New Proprietors [of New Jersey] inveigled many over by this tempting account of the Country: that it was a Place free from those three great Scourges of Mankind, Priests, Lawyers and Physicians. Nor did they tell a word of a Lye, for the People were as yet too poor to maintain these Learned Gentlemen."

—Daniel J. Boorstin,
American Heritage

Boarding School Grace

For the Preppie, gracefulness is less a gift than a standard, something to measure up to, a performance. The delight of the thing comes from the knowledge that it's all contrived, that the effect of effortlessness requires a good deal of strain, that negligence requires attention, that indifference requires concentration, that simplicity and naturalness require affectation. The most delicious "in" joke of Preppiedom is the anxiety everyone feels about being carefree.

—Nelson W. Aldrich Jr.,
Harper's

National Service at 17

Civilian public service could be offered as a useful alternative to military service—for both sexes. A bill to offer just such an alternative has been drafted for introduction in Congress. Its author, Representative Paul N. McCloskey Jr. (R–Calif.), contends that the all-volunteer system of military service is not working. He proposes that at age 17 "everyone, man and woman," be required to register. Then each individual would have the option of volunteering for military service or giving one year's "civilian service in a community or environmental capacity." Those who did neither would be put in a lottery pool for military draft. Benefits for military duty would be higher than for civilian service. Such a plan, McCloskey suggests, "might remove the need" for a renewal of military conscription.

—*U.S. News & World Report*

Problems, Problems

The story of my life—always a godmother, never a God.

—Fran Lebowitz,
Metropolitan Life

Double Whammy

Cold remedies cause symptoms that you think are part of the cold. You have to realize that a virus doesn't go away because it gets tired of hanging out with you. You get well because your body asserts self-healing powers. It can do that better if it's not fighting off a cold remedy at the same time.

—Hal Zina Bennett, *Cold Comfort*

No Cure-Alls

When [the people in Chungking] were ill, they visited the herb doctor or the acupuncture man, and sought medicines unheard of in the West—moldy bean curd for sore throats, potions of baby urine, powders ground from crystals of musk or rhinoceros horn. They bought their virility and fertility aids, their backache and headache cures, their beauty aids and lotions in their own tradition, seeking same elusive magic of life, love and c fort that television advertises with same futility each day in America.

—Theodore H. Wh
In Search of Hist

"May the Lord bless this company and lock it into a 15% yearly growth rate over the next 10 years."

© 1979 by Chicago Tribune-N.Y. News Synd. Inc.

Scottish Thrift

We had been working half an hou the evening of 22 January 1901 when teacher appeared in the doorway and nounced that word had just come Her Majesty Queen Victoria had die Osborne, Isle of Wight, and that all cla were dismissed until further notice.

The lame student addressed me in pulchral tones, "Well, this is the en everything." I was taken aback. It the first time I had been addressed c versationally by a stranger, and the mark was the first unnecessary made, so far as I had heard, in that [S tish] classroom.

—*The Early Life of James McB An Autobiography 1883-1*

We doubt that the pub would notice the demise most federal regulatory ag cies, except through price clines and an abundance lawyers looking for jobs.

—Wall Street Jou

Unconscious Help

One of the things I believe is that unconscious prepares you for a job. other words, if you go to bed at night you know you're working the next then the unconscious does the w makes a lot of the fundamental decisi on how you're going to go forward in work, and if you don't work the next then all that material that's been pared is just sitting in your brain troops out in the rain. And I know th day when I don't work when I was pl ning to is always an awful day for me. And, of course, some of the ideas be popping out, and that's awful. If you professional writer, having an idea c when you don't have a pencil in y hand is bad business.

—Norman Mai
interviewed in *Scavullo on M*

Modern Times

A schoolteacher tells me that the l dies don't know the meaning of words "clockwise" and "counterclo wise." No mystery: Born in the era of digital clock and the LED face, what they know of clock hands?

—Fred Danzig, *Advertising*

Come fly with me.

Thunderbird for '79. The Magnificent Flying Machine

$6,315* as shown.

When you take the controls of a Thunderbird, you'll be in command of one magnificent machine. With standard V-8 engine, wide stance, and full-coil suspension. The Thunderbird has the classic concealed headlamps, opera windows, and distinctive wrapover roof which say, unmistakably, "Thunderbird!"

Best of all, '79 Thunderbird, equipped as you see it here, comes at the down-to-earth price of only $6,315.* That includes many luxury features that come standard. So take flight. In your own Thunderbird. It's on the runway at your Ford Dealer's.

BASE STICKER PRICE	$6,200*
Power Front Disc Brakes	No Charge
Power Steering	No Charge
Automatic Transmission	No Charge
5.0 Litre (302 CID) V-8	No Charge
Full Wheel Covers	No Charge
Electric Clock	No Charge
Steel-Belted Radials	No Charge
Wide, Bright Bodyside Moldings	No Charge
Bumper Rub Strips	No Charge
Left Hand Remote Control Mirror	No Charge
AM Radio (May be deleted for credit)	No Charge
White Sidewall Tires	$ 47
Dual Accent Paint Stripes	$ 46
Color-Keyed Deluxe Belts	$ 22
*TOTAL PRICE	$6,315

*Sticker price excluding tax, taxes and destination charges.

THUNDERBIRD

FORD DIVISION Ford

Itel's 64,000-ton YSI Trader in the Panama Canal, en route to Japan.

Capital equipment. It keeps us and our customers growing strong.

In most any business, capital equipment is essential to growth. And because we specialize in innovative ways to use capital equipment dollars more effectively, our expertise has contributed to Itel's development as much as it's helped our customers.

Since we concentrate on two of the largest categories of capital equipment—transportation and computer equipment—we've built an extensive asset base in order to meet our customers' ever-expanding and changing needs. The result has been outstanding financial performance.

For the past seven consecutive years, we've reported record-breaking earnings and revenues. In 1978 alone, Itel's net income reached a new high of more than $47 million. And our revenues increased 71% to a record $688 million.

We've designed and built our past success in capital equipment leasing with innovative marketing ideas. In the future, the same type of creative thinking will continue to serve our customers as well as it's served us.

Itel. We're a company that will grow on you.

For further information, write or call for our annual report. Itel Corporation, One Embarcadero Center, San Francisco, California 94111, (415) 955-0000.

ITEL

Itel stock is traded on the NYSE under the symbol I.

Discover more.

Let your mature taste lead you from the finest premium Scotch on up to the most expensive 12-year-old Scotch in the world. The Glenlivet. The ultimate in Scotch.

Most premium Scotch is blended and depends on several whiskies for taste and smoothness.

Yet the unblended character of The Glenlivet is noble enough to stand alone. In this distinctive Scotch whisky you'll experience an exceptional smoothness and full-bodied richness, unmatched in all other premium Scotch.

Try the taste beyond premium Scotch.

The Glenlivet
Unchanged since 1824.

THE TASTE BEYOND PREMIUM SCOTCH

the U.S. really on the path toward closing its ge trade deficit with Japan? Frankly, no.

U.S.-Japanese trade: the awful truth

By Norman Pearlstine

IRST, THE GOOD NEWS. After months of big trade surpluses and U.S. complaints about them, Ja- s trade advantage is narrowing ply. During the first ten months of 3 Japan's surplus with the U.S. was aging $1 billion a month. But in No- ber it fell to $656 million and, ac- ing to Japanese trade sources in To- it dropped to nearly half that level in January. Present trends are likely to continue at least through the spring, allowing Japanese Prime Minister Masayoshi Ohira to be the one who smiles when he receives President Carter next June at the Tokyo summit conference.

The bad news is that it won't last. Although the U.S. trade deficit with Japan this year could be only half 1978's, there are good reasons for thinking the deficit will be back above $10 billion again by the early 1980s.

a and Carter in 1975

n the prime minister of Japan greets the President of the U.S. in Tokyo next e, they will not be meeting for the first time. They met once before, in May 5. Ohira, then, was Japan's finance minister. Carter was the darkest of c horse candidates for the Democratic nomination.

It isn't a matter, as many Americans suspect, of Japan's deliberately closing its markets to U.S goods and securities or running huge surpluses at American expense. Instead, the surpluses are a reflection of basic differences in the two economies—differences that make it inevitable that Japan sell a large share of its manufactured goods to the U.S. That doesn't mean there aren't ways to narrow the trade gap somewhat. There are. But there is serious doubt whether either nation is willing to pay the heavy political price involved in doing much more than nibbling at the problem.

Japan's trade performance last year alone goes a long way to explain why the favorable trend of recent months will be short-lived. Although its surplus was huge—a record $11.6 billion, 43% above the 1977 level—Japan actually did a lot to keep it from being even higher. It agreed to restrict exports of color televisions and steel. It spent about $3 billion worldwide, most of it with the U.S., on "emergency" imports it normally wouldn't have bought, including airplanes for use at home and for lease abroad, medical equipment and other items. It reduced tariffs, expanded import quotas and increased import financing while expanding domestic demand through increased public works spending.

Most important, the government encouraged the push toward a stronger yen. Between April and September the yen rose in value by 17%. As of Jan. 1, it was trading at 194 to the dollar, making it 33% stronger than it had been two years earlier. As a result, exports to the U.S., which had been growing in dollar terms by 39% during the first quarter of 1978, grew only 22% in the third quarter and by only 16% in November. Meanwhile, imports, which grew by less than 1% in the first quarter, were booming along at 22% above year-earlier levels in the third quarter and were up 42% in November.

So far, so good. But, unfortunately, none of these factors, not even the stronger yen, has led to permanent, significant, structural changes in U.S.-Japan trade. "Emergency" imports will be reduced by a third, to $2 billion this year. Nor will the Japanese economy expand enough to suck in a big volume of additional imports. Japan's cautious Ministry of Finance has proposed a 12.6% expan-

sion of the general account budget for the fiscal year beginning Apr. 1—in fact, the smallest annual expansion in 14 years. A separate budget for loans and investments is being held to a moderate 13.1% increase.

As for the yen, much of the benefit to trade is being lost by different inflation rates in the U.S. and Japan. While consumer prices rose by 9% in the U.S. last year, they grew only 3.5% in Japan. Japanese wholesale prices *fell* 2.5%. While American workers are resisting Carter's efforts to keep wage increases at 7%, Japanese workers are likely to settle for hikes of about 5% this spring.

In addition, by their willingness to redesign products and accept thinner profit margins, many Japanese exporters seem likely to keep on selling abroad even if the yen returns to 180 or 190 from its Mar. 1 level of about 200. Japanese automakers had to raise their U.S. prices several times last year. Nonetheless, by stressing performance, quality and special features, they were able to make 1978 the second best year for American sales. As color television sets began to fall, Japanese electronics manufacturers stepped up sales of videotape recorders—which are manufactured only in Japan—and of redesigned, higher cost stereo sets. And so on down the line. "A lot of Japanese manufacturers can make money with the yen at 185," says Eric W. Hayden, vice president and senior economist for Bank of America's Asia division in Tokyo. "They are comfortable with the yen at 200, and at 205 they can go great guns." Despite present sluggish growth, Nomura Securities Co., Japan's largest brokerage house, predicts that Japan's worldwide trade surplus will equal $25.3 billion for the year ending Mar. 31, 1980—slightly *above* Japan's total trade surplus of $24.7 billion for calendar 1978. Some slowdown.

Japan had been getting about 17% of its oil from Iran. Should shipments be curtailed until they inhibit domestic growth, the result could be even higher exports. Whereas U.S. companies tend to reduce production during times of sluggish domestic growth, Japanese firms, with their high fixed labor and interest costs, can't. Instead, they push exports.

That, however, is only one structural difference between the two countries which makes a long-term reduction in the Japanese trade surplus unlikely. Another: Japan, unlike the U.S., must import most of its raw material, fuel and food. At the same time, Japan tends to run deficits in its invisibles account (which covers services such as tourism, transportation, banking). "To pay for these goods and services, Japan must run a surplus in its manufactured goods trade account," says James C. Abegglen, president of The Boston Consulting Group's Tokyo unit. "These goods will go in large part to the U.S., which remains overwhelmingly the largest single market for manufactured goods exports."

What about U.S. exports to Japan? Although they are increasing, they aren't rising as much as some U.S. officials had hoped. Raw material imports, such as coal and oil, tend to be relatively inelastic—that is, lower price doesn't automatically lead to higher volume. As for U.S. manufactured goods, Japan has been taking more lately, but they still represent only about 26% of total imports. It will not be easy to do much more than that. In recent years U.S. manufacturers have been losing market share to European and developing nations throughout the Pacific, which are keen to boost exports to Japan.

Are the Japanese deliberately dragging their heels on taking more U.S. goods? Some Americans allege a bewildering array of nontariff barriers and discriminatory practices restricting U.S. exports. Although some of the complaints are valid, in some instances Americans are complaining about minor matters. Endless hours were spent last year, for example, negotiating an increase in Japanese imports of beef and citrus fruits. But the U.S. is itself a net *importer* of beef with little to spare for Japan. Citrus exports are being increased, with clear potential for still more sales, but not enough to make a meaningful difference in the trade gap.

Until a few years ago, Japan could be criticized for its protectionist ways. But most of its controls were swept away in the mid-1970s. Today Japan has less protectionist legislation on its books than do most other industrialized nations.

In other instances, Americans are still complaining about restrictive practices that have already been limited or sharply curbed. Until a few years ago, Japan could be rightly criticized for its protectionist ways. But most of its controls were swept away during the mid-1970s. Today Japan has less protectionist legislation on its books than do most other industrialized nations.

Nevertheless, as 1979 began, a subcommittee on trade of the House Ways and Means Committee issued a lengthy report on U.S.-Japan trade which painted Japan as a bastion of protectionism. The study group, headed by Rep. James R. Jones, an Oklahoma Democrat, was critical of Japanese procurement policies, especially those of Japan's 115 quasi-public corporations, such as Nippon Telegraph and Telephone Public Corp. and the Japan Tobacco and Salt Public Corp. The subcommittee also alleged the existence of formal and informal import tels, discrimination against for banks, a variety of regulations aga foreign autos, medical testing equipn and other manufactured goods, as we restrictions on agricultural imports cluding leather goods.

The report has infuriated many J nese officials, who think it unfair. M of the alleged abuses are well docum ed, but they argue that the report fai recognize that the U.S.—indeed, virt ly every industrialized nation—coul similarly condemned for protectic trade practices. More compellingly, haps, they argue that even if Japan bo to all of the subcommittee's demanc wouldn't make more than a $2 bil dent in the U.S.-Japan trade gap.

The political nature of the repo indicated by the fact that while it cusses citrus fruit and beef, it ba mentions the big role that additi wheat sales could play in reducing trade gap. The Japanese governn presently buys all wheat from abroad then sells it domestically at twice imported price, presumably to pro Japan's politically powerful rice farm But unfettered wheat sales could hundreds of millions of dollars to An ca's exports. (Why didn't the report n tion this? Consider the impact on mestic wheat prices that a drive to port more to Japan would have.)

Nor does the report deal in suffic detail with other, politically vol ways to cut the trade gap significantl doesn't mention, for example, that could shave the trade deficit by al $3.8 billion a year by selling oil f Alaska's north slope to Japan. The Congress, of course, has prohibited s sales. Undiscussed, too, is the possib of squeezing much more money f Japan for the troops and nuclear umbr the U.S. provides. Such a move m help reduce Japan's foreign reser which at the end of 1978 totaled $ billion and which are proving to b much a recycling problem as are OPI petrodollars. Such recycling might result were the yen to become more c international currency. The overwhe ing majority of Japan's trade is now nominated in dollars, and neither Jap Ministry of Finance nor the Bank o pan is likely to wish it otherwise with considerable outside pressure.

If, as seems likely, the Japan-U.S. t gap again rises to last year's levels, w might the U.S. do? The choices are It could, as one immediate response, a surcharge on Japanese imports. such a surcharge would be inflatio and would do much to destroy relati with Japan, our most important all Asia. Another choice, though, coul to do nothing. Given the complexit the trade issue, that might not be su bad idea. ■

e commercial banks want to move in on all Street's juicy revenue bond business. ow much more can Wall Street lose?

Another blow to the brokers?

By Lawrence Minard

SHRINKING Wall Street is trying to hold on to over $500 million in underwriting and trading revs it derives from tax-exempt rev- bonds, some $30 billion of which floated last year. The giant com- cial banks, banned from the revenue underwriting business since the days of the New Deal, are trying to some of this business away from Street.

s a battle over dollars, pure and sim- but both sides are wrapping them- es in the American flag as their re- tive flacks, lawyers and professors ey for position.

evenue bonds are issued by agencies tate and local governments and are red by the agencies' revenues rather by general tax revenues—a public er plant, for example, or an airport or ital. Revenue bonds were small ge until the Fifties' urban sprawl, Sixties' Great Society and the Seven- Proposition 13. Revenue bond financing mushroomed: to $2.2 billion in 1960, to $6 billion in 1970, to $28.3 billion last year, when revenue bonds accounted for nearly two-thirds of all municipal debt issues. No one expects this growth to slow.

Suddenly the banks were missing out—*big*. If only they could change a few words in the venerable 1933 Glass-Steagall Act, which forbade them to deal in state and local government bonds other than general obligations backed by full faith and credit of the government.

The banks won a partial victory in 1968, when Congress permitted them to underwrite revenue bonds for housing, universities and dormitories. But that came to barely 20% of last year's $28.3 billion. The bankers wanted the whole thing. In 1967 they had come close to getting it: The Senate passed a William Proxmire-sponsored bill that knocked down the Glass-Steagall proscription. That left the House of Representatives trouble: For at least two years now, Representative Fernand St. Germain's (D–R.I.) House Subcommittee on Financial Institutions Supervision, Regulation & Insurance has steadfastly refused to hold hearings on a bill, known this year as H.R.1539, that would finally open the revenue bond turf to the commercial bankers.

The bankers, of course, heatedly assert that St. Germain unfairly favors Wall Street. "He's just stalling us," says one.

Counters Richard Still, staff director of the Financial Institutions subcommittee and St. Germain's chief aide: "The bankers are pressuring us to hold hearings only on their narrow interests. We are saying: Let's take the bankers' claim for 'public benefits' and examine that claim a little more closely."

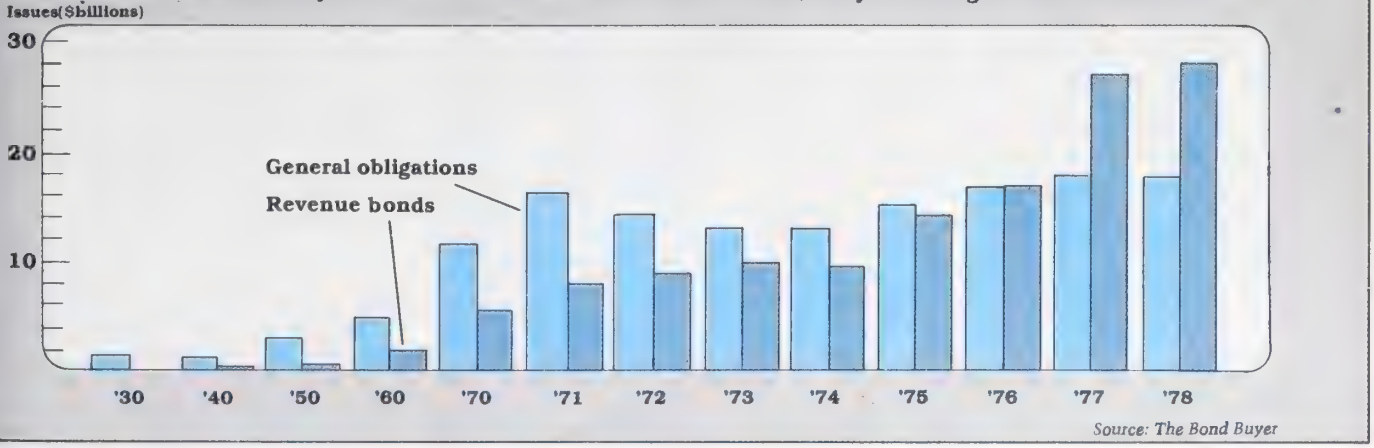
The bankers are claiming that if H.R. 1539 passes, increased competition for revenue bond underwriting will result in lower prices to the bonds' issuers.

Who says so? Experts, of course. No special pleading is respectable these days unless it has a professional expert supporting it. The universities are full of "experts" eager for fees to stretch their rather meager salaries.

In 1978 a commercial bankers' lobby group, the Dealer Bank Association (1978 budget, well under $500,000), paid Columbia University's eminent economist, Professor Phillip Cagan, about $30,000 for a 20-page regression analysis study. Building largely upon an eight-year-old paper by the University of Chicago's late economist, Rueben Kessel, Cagan reached this startling conclusion: If commercial banks had been allowed to underwrite ineligible (*i.e.*, closed to the banks) revenue bonds, the bonds' issuers would have saved, in 1977 alone, $412 million over the life of the bonds issued that year. Virtually all the savings, said Cagan, $405 million of the $412 million, would result from commercial bankers' ability to sell the bonds at interest rates an average 19 basis points (or 0.19%) lower than the investment bankers had

Now, a nice piece of change

Why are the commercial bankers shoving so hard to get into municipal revenue bond underwriting? Because issues of these bonds have grown phenomenally both in absolute terms—last year over $28 billion were issued, *vs.* $600 million in 1950—and in terms of their importance relative to general obligation notes. Revenue bonds comprised just 16% of the municipal market in 1950; last year the figure was over 60%.



Source: The Bond Buyer

been able to sell them for.

Federal Reserve staffers picked up Cagan's $412 million number; Fed Chairman G. William Miller wrote a letter of warm support to Representative Henry S. Reuss (D–Wis.), chairman of the Banking, Finance & Urban Affairs Committee. Comptroller of the Currency John G. Heimann and half a dozen leading revenue bond issuers wrote similar letters to St. Germain. There's suspicion in the air: Why was St. Germain stalling the hearings? Didn't he want to save taxpayers $412 million—and increase American competition to boot?

But wait! Wall Street has a lobby group, too: the Securities Industry Association (1978 budget, $2.5 million). Last year, at a cost of $25,000, the SIA financed an 83-page "critique" of Cagan's study by University of Chicago economics Associate Professor Michael Mussa; it is just now being distributed. Mussa's conclusion: ". . . the analysis of Kessel and especially Cagan is seriously flawed . . . and . . . *there is no evidence that an extension of bank eligibility* [in revenue bond underwriting] *would result in any significant reduction in borrowing costs* [Mussa's emphasis]. . . . The bulk of [Cagan's] estimated interest savings of bond issuers must come at the expense of investors, through a reduction in the yields they earn. . . . Ordinarily one would think that increased competition would benefit investors, not harm them. Yet Cagan's savings estimate requires that we believe just the reverse, that increased competition in selling bonds would result in investors paying higher prices and accepting lower yields."

Behind most rhetoric there is usually some economic reality. In this case, it is that the commercial bankers are afraid of the future. Listen to Citibank's Senior Vice President James W. Stevens, head of its money market division:

"This world is changing in one big hurry. The foreign banks have gone from a very low share of the New York market to having about 30% of the commercial and industrial loan demand. Sears, Roebuck [which is planning to merchandise Sears' paper to the public] appears to be getting competitive with banks' savings instruments. We're in a very competitive environment, and there are serious people at major banks who believe that the banks had better work damn hard to maintain a franchise so that they don't become like the railroads—obsolete."

While losing elsewhere, banks would like to move in on revenue bonds. Forgetting the rhetoric and the obfuscating experts, why not allow the added competition? Trouble is, most of the gains would come out of the hide of an industry that is already in trouble. Can Wall Street survive if it loses most of the revenue bond business? Probably, but on a reduced scale—large parts of the industry have already either been killed or rendered marginal by the unfixing of commissions. Chairman Harold M. Williams, whose Securities & Exchange Commission unfixed those commissions, isn't convinced. Talking like a fiscal ecologist, he says:

"I do not know what the answer is, but I do know that if I had to vote today I'd say, 'No, the banks should *not* be allowed to get in.' We must have a better understanding of what the impact of letting the banks in would be on the securities industry—and not only the aggregate industry but the individual components of it, too." Williams says he is particularly concerned for the future of the smaller regional firms.

Agrees Samuel L. Hayes III, professor of investment banking at the Harvard Business School: "I'd be *very* cautious about passing something like [H.R.1539] at the present time."

If hearings on H.R.1539 do begin, perhaps the Congress, the SEC, the Fed Reserve, the comptroller of the curre and the U.S. Treasury can bring to b the line of inquiry used in environmer issues. In these, it is usually up to wh er wants to alter the environment prove that no long-range harm will re from his actions. A fiscal ecologist wo say: Commercial bankers want in revenue bonds? Fine—as long as t don't further weaken Wall Street.

This is not to say that the bankers wrong and the brokers are right. E has a case. But in economics as in environment, you can't change one p of the chain without an impact on other parts. Do our public policy mak adequately understand this? ■

With double-digit interest rates, nobody ca afford idle cash balances. With modern com puter techniques, nobody need have them.

Managing cash: no more turtles and rabbits

By Cynthia Saltzman

At 5 A.M., while Raymond C. McCron is sleeping as peacefully as is possible for the senior vice president and treasurer of a $25 billion (assets) insurance company, a messenger picks up a bag of checks at Manhattan's Church Street post office and delivers it to an uptown office of McCron's Equitable Life Assurance Society.

By 6 a.m., seven Equitable clerks are rapidly sorting some 2,000 checks, averaging $6,000 apiece. At Equitable's Chicago office, simultaneously, a similar process is just getting under way.

By 7:30, while McCron has his first cup of coffee, the New York checks are on their way to Equitable's New York banks to be turned into cash that morning. By 8, as he stuffs his paper in his briefcase to catch the train, the last Chicago checks are being sorted and the process begins in San Francisco.

By 9:30 a.m., when McCron walks into his offices at Equitable's Sixth Avenue Manhattan skyscraper, millions dollars have been pushed into the co pany's coffers—up to a day and a h earlier, McCron figures, than they wo have had he waited for the banks to the sorting and encoding of checks.

Under the usual system, banks h so-called lock boxes for corporations cated at post offices where compar receive payments. But why count on banks? McCron claims that push money forward with his own lock bo has meant some $5 million annually earned interest.

At 10:30 a.m., McCron sets up a c ference call with regional treasurers– New York, Atlanta, Chicago and Francisco—to decide where to place surplus. On a typical "big" day last cember that surplus was $68 milli which at current near-10% short-te interest rates means Equitable m $25,500 over that extra day and a half

This is contemporary cash mana ment, and McCron is one of its m skillful practitioners. Going beyond

ıond C. McCron, treasurer of Equitable Life
quering cliches with computers and empty checking accounts.

e of float (FORBES, *Mar. 5*), cash man-ıent is a science. Made possible by puters and modern communica-, it is bringing companies like Equi-e ever closer to conquering that old ıé that an idle dollar is a wasted —especially so with interest rates ıe double digits.

ı that typical day in December, ron decided to invest $43 million of $68 million surplus in bank "repur-e agreements," and the rest in com-cial paper, all at close to 10%. At oximately 1:15 p.m. the same day, New York office received a check for million. Since the New York money ket basically closes down after noon, unds were wired out to Wells Fargo and invested in commercial paper ın Francisco—again at almost 10%. McCron: "Our short-term investing ws the sun."

ıe quiet, 58-year-old McCron is a gee from railroading. He started with Denver and Rio Grande Western oad in Denver and followed Alfred erlman to the New York Central in . After the Penn Central merger, ron spent two years consulting and me Equitable's treasurer in 1972.

cCron manages over 100 people in urers' offices around the country. lso oversees Equitable's sizable trad-perations—dealing in some $3,000 h of securities a second. Like most gs that run well, McCron's complex ems run on a simple principle: Al-s have enough money in the bank to your obligations—but never a pen-ıore. With so-called zero balance ac-ts, holding a minimum of demand sits is possible.

ıe key is electronics—instant trans-f funds, instant information. When, has promised, the Fed charges for its k-clearing services, electronics will become even more important.

The big push has come only recently. Three years ago only a few big New York banks—Chase, Morgan and Chemical—had terminals connecting corporations to a central network. Chemical's "ChemLink" now is linked to 400 U.S. banks and offers a printout of balances on as many of these as a corporation needs. Allen M. Cohen, who heads ChemLink, estimates that now over 40 other banks offer the same thing.

Before McCron, Equitable, like most big corporations, had accounts in banks all over the nation—some 350. No longer. McCron has cut the number of banks to just over 100. Merely by closing accounts, McCron figures, he has saved about $4 million annually.

RCA's Parkinson
The wired dollar abroad.

Gone are the leisurely days when you sent a check after you put the money in the bank. Equitable, like thousands of other corporations, now has a central account with a balance negotiated on some average of the checks that come in. A constellation of "zero balance" accounts surrounds the "concentration" account. Thus the balances are at a minimum, and money can be whipped in to cover checks in the nick of time.

Multinationals are working on extending cash management overseas. "It's more difficult when you're dealing with currencies and banking systems all over Europe," says RCA's Kenneth Parkinson, who heads its international cash management, but he is developing computerized systems for each division.

What McCron and Parkinson are doing is a little like what individuals can do with automatic teller machines and interest-bearing checking accounts. Modern banking allows the private depositor to move funds from one account to another as fast as Equitable can.

But McCron is working the other side of the consumer street; now, 300,000 (or 25%) of Equitable's life insurance policyholders have their monthly premium payments—averaging $40—automatically zipped out of their bank accounts and into Equitable's. "Preauthorized payments" had been around for several years, as a way to make life insurance more "convenient" for customers, and more profitable for Equitable. First McCron tried preprinted checks authorizing Equitable to withdraw the premiums from the customers' accounts. That required printing and mailing 300,000 checks—too cumbersome and costly. Putting the whole thing on computer tape and moving the funds electronically was the solution.

McCron is now working on another project which promises to reach far beyond life insurance. Some 300 Equitable policyholders with accounts at Hollywood, Fla. Federal Savings & Loan Association and the Greater New York Bank for Savings can now pay their premiums and other bills by telephone. The requests are turned into computer information and sent to the Fed's Automated Clearing House network. The funds move from the individual's account into Equitable's at Chase Manhattan overnight and without paper. McCron sees this system of standardizing and computerizing bill paying as inevitable.

Have they worked on speeding up the payments as they have the receipts? McCron claims to be studying paying annuities electronically. Of course, all this will put an end to the "in like a rabbit and out like a turtle" game—a victim of the computer age. ■

Little Standex must be doing something right. It sells at better than book value. Of how many conglomerates can that be said?

Haphazard conglomerate

By James Cook

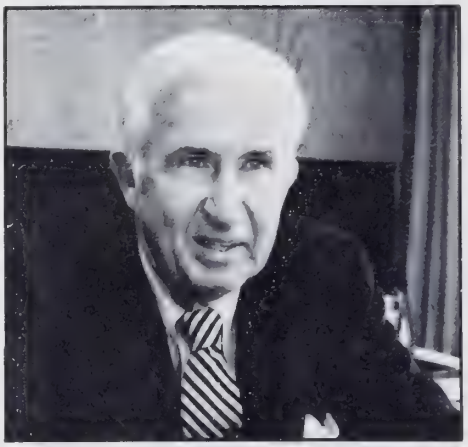
IN PUTTING TOGETHER Salem, N.H.'s Standex International Corp. (estimated fiscal 1979 revenues, $300 million), Chairman Daniel E. Hogan, 61, fell for none of the fashionable conceptualization to which conglomerators all too often are prone: no Thorntonian synergy for him, no Lingian redeployment, no Dukian corporate concepts and not even any Riklisian Chinese money. But no financial disasters either and, since fiscal 1971, Standex' earnings have nearly tripled; this year they're certain to gain 50%. If earnings were erratic in the early Seventies they are solid today.

"We had no particular grand plan to form a conglomerate," Hogan says. "We just thought we were making some good business investments. We stayed pretty much with companies that manufactured useful articles and sold them. The businesses we have have one thing in common: They make a lot of money."

Standex started out as a family company—Bolta Plastics, founded by Standex' 85-year-old honorary chairman, John Bolten Sr.—and Dan Hogan started out from Yale with a degree in business administration and wound up marrying the boss' daughter. But in 1954 General Tire made Bolten an offer he couldn't refuse—$4.4 million for his $28-million-a-year vinyl sheeting company—and Bolten and Hogan were out of business. But not for long. Inside a year, that $4 million had gone into acquiring Standard Publishing, a Cincinnati publisher of religious materials, and Roehlen Engraving, a Rochester, N.Y. engraver of embossing plates and rolls for texturization.

The two outfits were melded as Standard International—renamed Standex International six years ago—and the new company promptly proceeded to acquire all over the lot. In the beginning it picked up companies like Everedy cookware, Coca-Cola bottling franchises (in South America), Lestoil and Bon Ami cleaning products (all subsequently sold); more recently it's taken on outfits like Yield House mail-order colonial furniture, CEBCO education publications, and Woodside fireplaces. Hogan was careful to keep a capital balance in his acquisitions, acquiring cash generators like Crest Fruit (mail-order grapefruit) to finance capital-intensive outfits like Master-Bilt refrigerators.

Although Dan Hogan is essentially a pragmatist, he did gradually formulate



Standex Chairman Dan Hogan
Conglomeration had five laws.

his gut feelings and his—sometimes painful—experience into what it amuses him to call "Hogan's five laws":

1) Beware of the time of the hump—when a company inflates its earnings in anticipation of a sale.

2) The price of an acquisition varies inversely with the square of the distance from New York.

3) Companies that have made money for ten years in a row will probably make it again in the eleventh.

4) Companies with loss carryforwards have a demonstrable capacity for losing money.

5) Concentrate on small private businesses that have some sort of proprietary position in their market and which are for sale because of estate problems or lack of professional management.

"We made over 100 acquisitions in 22 years of the company's history," H gan says, "dumped maybe 25, and r have 13 operational units. Ten or two years ago we picked the product gro that we thought we could do well w and where we had a certain amount expertise, and in the last five or six ye we've gotten the company into the p tion we want."

If there is a sixth Hogan's law, it Everything is for sale if the price is rig

In 1969 for instance, Hogan spun 20% of Standex' Edward Weck hosp and surgical equipment subsidiary—give it more visibility." It became visi the price soared, and he sold the rest Squibb at 30 times earnings—201,(Squibb shares, which Hogan liquida between 96 and 99 (Squibb is now 33 The proceeds, $11.3 million after ta paid debts and financed acquisitions.

Or consider Standex' bid to take o the A.T. Cross Co., the writing inst ment company. Hogan paid $4.2 mill in 1967 for 930,000 shares—46% of company—and when Cross resisted Standex takeover, sold them off for $ million in three public offerings betw 1971 and 1973, an average of $43 per sha or $30 million aftertax profit. The p ceeds went into buying up 30% of Stand own stock in 1972—1.3 million share 10½. Cross stock subsequently plunge 22, while Standex now sells for 16.

Capital gains from these disposals k Standex' earnings soaring during the l Sixties and early Seventies when some its early acquisitions ran into trouble a its operating profits leveled off. But h ing jettisoned the losses and buttres the winners that remain, Hogan can n happily report a 55% gain in fiscal 197 first half earnings and a comparable g in prospect for all of the year. Hogan t to maintain a debt-to-capital ratio of tween 30% and 40%—"If it gets in t low 30s," he says, "we're not using most valuable asset, our credit; if it g in the low 40s, our debt is too high."

With things going well, Hogan h been acquiring again, having picked eight outfits over the last 18 mont most of them for cash. Says he, "It's a l country, and there are a lot of good bu nesses floating around, a lot of peo getting older, tired of fighting ERISA red tape or product liability proble They're prime prospects for us."

Hogan and his ex-wife, John Bolt and his son and Director Samuel S. De nis 3d still own 40% of Standex' 6 m lion shares—which may be a key to t company's success. If Hogan runs t company more like a family investme portfolio than like the typical conglom ate, who's to complain? The stock n sells at a premium over book value. how many conglomerates—or ev stocks—can you say that today? ■

hat do the Germans know that we don't? Two their companies are making it in the auto usiness on a volume that wouldn't keep a etroit giant alive for more than a few weeks.

German autos: Small is beautiful

By Paul W. Sturm

Bayerische Motoren Werke

S THAN TWENTY YEARS AGO Bayer- e Motoren Werke was a near-bank- builder of luxury sedans and tiny bble" cars, cheaper even than war Volkswagens. Today the Mu- -based company is the world's fast- growing automaker outside Japan and xtbook example of shrewd product tioning.

s concept: Put a big engine in a small create a sporty image and charge tever the traffic will bear.

the U.S., where BMW sells 10% of production, the firm's compact four- nder sedan lists for over $10,000 hout tax or extras. A most prestigious pe can easily go for over $30,000. 're completely different from Mer- es," says Eberhard von Kuenheim, W's Prussian-born chairman. "They e a car for the establishment, for uffeurs. Our customers do their own ing, and they like it. That way we have a wide line of models, but we ays aim to be at the top of each ge."

aimler-Benz might bridle at the char- rization but one thing is clear: Its cedes and BMW have distinctly dif- nt images and both are obviously at- tive to Americans. Despite the high es, last year, when auto imports bare- eld steady here, BMW unit sales ped 15%, even though the declining ar caused three price increases. ldwide results were even better, and W's consolidated revenues topped billion—up 40% from 1977 in dollar ns. "We may not be a giant on the motive scene," says von Kuenheim. t we are 1 of the top 20 German panies."

ith such high-priced products, BMW uld boast spectacular profitability. It ably does, but conservative account- makes comparisons with U.S. firms difficult. Reported earnings for 1978 should be close to $75 million, and even cautious German security analysts up that figure by about half. The result is pretax margins of nearly 10%—on a par with Daimler-Benz and nearly as good as General Motors.

This resurgence largely benefits one man. German industrialist Herbert Quandt bailed out BMW and set its present direction in 1961, just in time to thwart a takeover of the failing Bavarian firm by its better-known competitor, Daimler-Benz. That move stoked up another old German rivalry: The Quandt commercial interests have long been second only to those of Daimler's controlling Flick family. Today, Quandt, reclusive and in failing health at 68, owns some 60% of BMW's stock—worth more than $1 billion.

That friendly block of shares gives management considerable security during a period of auto industry consolidation. Von Kuenheim, a 50-year-old engineer who worked for the Quandt holding company before taking over BMW in 1970, plans to invest $1.6 billion over the next four years to keep his marketing edge. BMW doesn't aim to increase production beyond 400,000 units a year—a target it will reach in 1980. Instead, the company will grow by upgrading its product mix. Avoiding even a hint of mass marketing makes perfect sense, since German labor costs are currently 40% higher than U.S. labor costs.

Last year, for example, BMW introduced a small six-cylinder engine. Cus-

Von Kuenheim of BMW
As with U.S. automen, his biggest problems come from politicians.

tomers loved this costly option, and the less profitable four-cylinder models dropped from two-thirds to one-third of total production. At the same time, the firm inaugurated its 700 series. These $25,000 sedans are aimed squarely at the Mercedes market, and the timing is nothing if not shrewd: Daimler's luxury line has gone seven years without a model change. The big BMWs are already outselling Mercedes in some European countries, and they are chipping away at its 50% share of the U.S. market for expensive imports.

But while BMW seems to be winning its marketing battles, its chairman worries about setbacks on the political front. Automobiles, like oil, are fast becoming a political product. Complains von Kuenheim: "Every bureaucrat from Bonn to Washington thinks he can design cars just because he drives one. That costs us money." BMW production lines are clogged with an expensive range of pollution control systems, bumpers, lights and safety devices that have been added to meet varying worldwide government standards.

Another von Kuenheim problem is also political: the tendency—not unknown to the U.S.—for labor-intensive auto companies to be first in line for government assistance when the going gets tough. "Already, half of Europe's car industry is nationalized," he explains. "The system is supposed to let people with better products or better management make more money. Instead, companies with problems get bonuses from the taxpayers."

One worry, however, that von Kuenheim doesn't have is the threat of a takeover bid. His office atop BMW's 20-story cylindrical headquarters seems impregnable to attack. And even if the protective Quandt shareholdings are soon splintered among succeeding generations, BMW's chairman dismisses any possibility of losing his independence. "Sure, GM or Daimler would love to merge," he concludes, "but the German antitrust laws would never let them. No one else could afford us."

He means the company, of course, not the cars.

Porsche

ONCE THERE WERE nearly a score of small European firms that built sports cars—largely as a labor of love. Today, high wage costs and government-imposed design requirements have overwhelmed these legendary creators of auto exotica. They are either out of business (like Facel Vega and Jensen), able to produce only a handful of units annually (like Aston Martin and Maserati), or tiny divisions of huge corporations (like Ferrari, now owned by Fiat).

Then there is Porsche. Tiny by auto industry standards, it flourishes on a unit volume—35,000 cars last year—that wouldn't keep most auto companies alive for a single month. In its fiscal year ending last July, this family-owned German business had annual revenues of over $500 million. The Stuttgart-based firm's bread and butter is its racy, rear-engined 911—on the market since 1964 and still moving briskly. The price: a minimum of $25,000, but over $50,000 for a turbocharged version that can zoom from a dead stop to 60 mph in less than six seconds.

Still, Porsche isn't resting on the 911's market victories. Its third-generation owners stepped aside five years ago in favor of professional outside management, and two new models introduced since then have broadened the company's base considerably. The 928 is a luxury sedan, available with automatic transmission, that competes against Mercedes and BMW; the 924 is a $15,000 sports car intended to challenge cheaper Italian and Japanese models.

"With high-price cars like ours, we must sell all over the world to maintain production volume," says Heinz Branitzki, who runs Porsche's financial operations and came to the company from the Carl Zeiss optical firm. At the moment, however, Porsche's problem is too much foreign business. Over 5 of its production goes to the U.S.—l of that to California, where sl Porsches look just right in Beverly H driveways. The dollar's decline squee those margins, and Branitzki aims limit his exposure by boosting sale home and in Japan, which is alread major Porsche market.

Despite its unique success, tradi prevails at Porsche. Top-of-the- models are largely hand-built by wo ers in blue overalls emblazoned w the company name. And Porsche gets a 50-cent royalty for every Vo wagen "beetle" that is built; four Ferdinand Porsche designed it for in 1936. Several years ago, in fact, V Audi division and Porsche seer about to merge. But Porsche bac away, though the two still share dea in the U.S.

At the moment, thanks to the mise of many competitors, Pors easily sells all the cars its cramped tory can build. Branitzki, however, i about to cut customer waiting ti and push production beyond 40, units a year. "That would cost us million for expansion," he says, " I'd rather have a bit of money in bank. Look at our revenues—four ti what they were four years ago. Give a while to consolidate."■

Branitzki of Porsche
His company's revenues are accelerating even faster than its cars.

Doughboy emerges with Citicorp's CitiLeverage.

CitiLeverage. Five asset-based financial services hat respond directly to a company's "success signals."

Corporations everywhere are discovering their own hidden strengths. And turning them into fresh capital with CitiLeverage—the new range of asset-based financial services from Citicorp Industrial Credit, Inc.

California-based Doughboy Recreational, Inc., for example.

Doughboy®, a rapidly-growing above-ground pool manufacturer, has a strongly seasonal business—generating cash only in the summer.

With CitiLeverage, they're able to use their "success signal" of big off-season inventories, and convert it into real capital for growth.

In commercial finance, industrial sales finance, equipment finance, leasing and factoring, intelligent managements everywhere are using CitiLeverage to take advantage of their success signals.

To get an idea of how CitiLeverage can work for you, call our Chairman, Bob Martinsen, at (212) 559-6631, collect. Or write him at Citicorp Industrial Credit, Inc., 399 Park Avenue, New York, NY 10043.

He'll put you in contact with the right CIC officer, in one of our 29 offices across the country.

Citicorp's CitiLeverage:

Because nothing succeeds like success.

CITICORP

Citicorp Industrial Credit, Inc.

What L-P did last year, br

Mrs. Del MacLeod is not a shy woman.

As president of the Nickel and Dime Investment Club of Greater Detroit, she lets it be known what she likes and doesn't like. This year, she was pleased with the way their portfolio performed, and especially pleased with one stock in particular — Louisiana-Pacific.

As she pointed out at the January meeting, L-P's sales, earnings and funds generated from operations hit record highs in 1978. Assets and sales both topped the $1 billion mark for the first time.

All the Nickel and Dimers agreed — emphatically — with their president. And that was important to us. Because like thousands of other small investment clubs throughout the country, they set some tough standards.

Following the principles laid out by the National Association of Investment Clubs, these ladies devour the business press. Analyze companies' past performances. Plot trend lines. If a stock cannot show at least 10 percent earnings gain over five years, they won't touch it. And if earnings stay depressed, they don't hesitate to sel

This is the free enterprise system at its best. Because under their watchful eye, American business must stay concerned about things like productivity, profits, dividend growth. And the monthly investment, though it totals only $15 each, helps provid the capital necessary to fuel the U.S. economy.

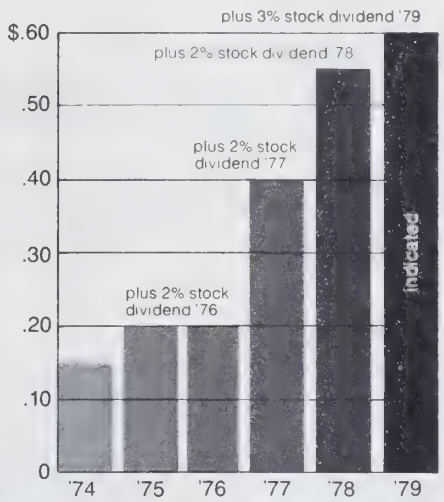
ght investors to their feet.

t Louisiana-Pacific, it's our job elp the forest work for people. l we are honored that the kel and Dime Investment Club only holds our stock, but has bled its investment over the six years.

n case you haven't been owing our progress with the he scrutiny, here's how we d in 1978:

arnings hit a record high of ,670,000, up 36 percent over 7. Sales jumped 31 percent to

Annual Dividend Growth



$1,042,100,000. Return on sales improved from 7.6 percent to 7.8 percent. Earnings per share rose from $2.15 to $2.91.

Given the excellent results of 1978, plus confidence that 1979 will be reasonably strong, the company declared a 3 percent stock dividend and a regular quarterly cash dividend of 15¢ per share. The 3 percent rate represents a 50 percent increase over the 2 percent stock dividend rate declared in each of the last three years.

For complete details on what we did in 1978, write for a free copy of our annual financial report to G. R. Griffin, Louisiana-Pacific, Dept. FB, 1300 Southwest Fifth, Portland, OR 97201. And for more information on the National Association of Investment Clubs, write Kenneth Janke, 1515 East Eleven Mile Road, Royal Oak, MI 48067.

Louisiana-Pacific

Helping the forest work for people

*Ticker symbol – **LPX** • NYSE newspaper symbol – **LaPac***

Pan Am introduces 3 new ways to fly the world.

Some of the people we fly each day can afford the best service in the world.

And some simply want good service for the best prices in the world.

So, for our First Class passengers, flying on our long-range 747SPs, we're offering a brand-new idea in deluxe service. Unique reclining Sleeperette® seats and private table-for-two dining with excellent international cuisine.

For the business traveler, and others paying full fare, most of our 747s offer Clipper® Class, a separate section with free drinks, headsets and an empty seat beside you whenever possible. Plus a lot more attention on the ground and in the air.

For people taking advantage of our special fares, we have Full Service Economy Class. This offers the same high standard of service Pan Am Economy passengers have always enjoyed.

To bring you these three kinds of service, we have the largest fleet of 747s and 747SPs—the most advanced planes in the skies. With the kind of specialized service that can make all the difference on a long-distance flight.

See your Travel Agent or transportation department. And choose the way you want to fly the world. On Pan Am.

PAN AM®

We fly the world the way the world wants to fly.

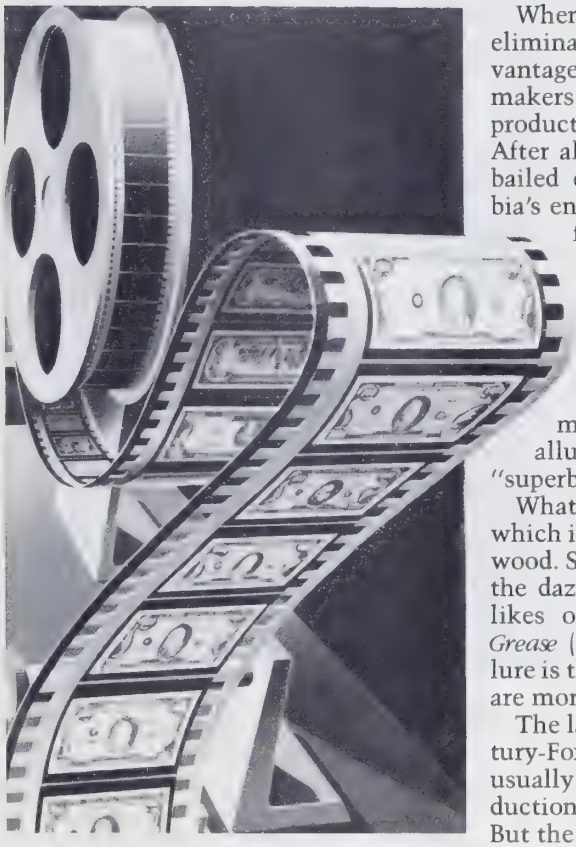
oat with $4 movie admissions, up-front TV money and superblock-sters, Hollywood is attracting plenty of outside investment money en though Congress took away some of its tax-shelter bait.

Soon to be a major motion picture

VERYBODY's in two businesses, a Hollywood sage once reflected; his own and the picture business. sider Melvin Simon from Indianap- They say he's the third-largest shop- center developer in the country. ly he's been spending a lot of his and money on his other business, vin Simon Productions in Beverly . And how's he been doing in the re business? That's hard to say. r only a couple of years commuting e Coast in his private jet, Simon is inly among the most visible of the money in town. But none of his res—*Matilda, Somebody Killed Her and,* and *When You Comin' Back, Red* —is what you would call a hit.

ny would an otherwise prudent man, made a fortune in real estate (in the of investments movie people try to e with their earnings), drop money st by the planeload all over Holly- d? Perhaps for the same reasons they been bringing out money from the ofts of Manhattan, the oilfields of s and anywhere else you can name e the dawn of Southern California ry: the glitter of the silver screen, -eyed starlets, Groucho Marx eco- ics, the pool at the Beverly Hills l, and, maybe, just maybe, the big e. Who would rather be the third- st shopping center developer in the World when he could be the sev- - or eighth-biggest "indie prod" in a? You shouldn't have to ask.

here's a lot of outside money trying me into the industry," agrees Ned n, president of MCA's Universal res, the major of major studios. "In- rs see the enormous grosses of a re that hits. If you have a hit there's nd to up. They're like kids in front of ndy store." Then there's the tax an- If you're in the topmost brackets, you lose, what do you lose? A mere ents on the pretax dollar. Up and n Sunset Boulevard and in the law es tucked away in Beverly Hills you



hear the same refrain. Hollywood is awash with money; Mormon money, real estate money, Iranian money, Arab money, Canadian and West German tax-shelter money, Texas oil and gas money, Kansas cattle money, doctor and dentist money. Rumors fly. Sam Lefrak, the New York construction king, is in town "looking into movies."

Two years ago, Randy Eaton, 38, who made his money in newspaper publishing and commercial photography, came to Los Angeles with his ex-actress wife and set up Brilliant Films. Though he has yet to release a picture, Eaton claims he's managed to raise $26.2 million to make two films, one a sci-fi blockbuster. "I've never seen so much money in my life," he says.

When the tax laws changed in 1976, eliminating the most extravagant tax advantages from movie investing, moviemakers issued dire predictions that film production would drop as much as 15%. After all, it was tax shelter money that bailed out Columbia Pictures (Columbia's entire 1975 picture production was financed by shelters). By some estimates at least 20% of all the films produced by the major studios in 1975 (and over 50% of the films made by U.S. independents) used some shelter money. What the doomsayers missed was Hollywood's enduring allure and the rise of the $100 million "superblockbuster."

What it is mostly about is Cinderella, which is after all the archetype for Hollywood. Sure, a lot of people are blinded by the dazzle of money taken in from the likes of *Star Wars* ($165 million) and *Grease* ($83 million so far). But the real lure is the feeling that, somehow, movies are more fun than, say, real estate.

The large studios, like Twentieth Century-Fox, Universal, or Warner Bros., usually bankroll most of their own productions from their cash and bank credit. But the old movie studios are today publicly held "entertainment conglomerates," with a wide range of investments in records, books, ski resorts and television production. Thus movie spending by the majors has remained fairly constant (about $600 million a year), and with the average price of a picture running around $6 million (up from around $2 million just seven years ago), the number of pictures made by the majors is small compared with the demands for product by the big theater chains, which have been expanding rapidly. This sellers' market—which has driven many small mom-and-pop theaters out of business—has opened up the door to a plethora of independent producers and production companies that finance and produce pictures outside the studio system.

Universal's President Ned Tanen
"If we believe in a movie, we finance it ourselves."

There are plenty of wondrous tales to lure these people on.

They see Billy Hayes' experiences in a Turkish prison become *Midnight Express*, a picture that was made for $2.6 million *(see p. 49)* and has brought in more than $16 million in rentals so far. They know that Sylvester Stallone managed to turn his private fantasy into the blockbuster *Rocky* and then ride on its coattails for a couple more films. And, of course, they keep on hearing the shrieks and moans of the theater owners over lack of product to cover their screens.

But the ultimate reality in Hollywood, assuming the picture actually is released, is that there is always going to be a gross. There is only sometimes a net. Even more sobering, the cash investor is often the last one in line when the gross gets hacked up. Even a film that brings in fairly respectable numbers—say $10 million in rentals from theater owners—may leave outside investors nothing.

That happens for a couple of reasons. A relatively cheap picture like *Midnight Express* can cost another $5.5 million for promotion and advertising. (Warner Bros. put out less than $3 million to film *Oh, God!*, but it spent more than twice as much on prints and ads.) Say you only want to open your dream movie modestly, maybe only in New York and Los Angeles, to feel the water. That alone consumes $300,000 or more in promotion money. And making the prints to put into a 500-theater national opening can cost $150,000. By next year a total media campaign could *average* $4.9 million, almost double the cost in 1972.

All that money comes out before outside investors see a dime. But there's more: The big cut, off the top, is the 30% or so the distributor (almost always a major studio organization) takes of every dollar that comes from the theaters.

The days of tax shelters built on ov valued nonrecourse loans are a thing the past. But the outsider can still ben from some depreciation or amortizat charges, from investment tax cre and, of course, from the fact that a 70 bracket investor risks only 30 cents every dollar he puts up, for which he b high hopes and an invitation to world premiere, if the picture is releas

Getting a film released is not all t simple, because of the high costs of p motion that the distributor has to vance. The shelves of film storage va are packed with pictures that were co pleted but not considered worth risk good money to release. And there ar

When the tax laws changed 1976, eliminating the most travagant tax advantag from movie investing, mov makers predicted that film p duction would drop as much 15%. What the doomsaye missed was Hollywood's allu and the rise of the $100 milli "superblockbuster."

fair number of shoestring productions the vaults of film labs waiting for son body to pay for the processing.

All of that aside, however, the ri film in the right hands can be a dar investment. "The negative of a mot picture today may be as valuable a piece of land," asserts Max E. You stein, the veteran studio and indep dent producer who is now a film cons tant. "The investor is protected on downside by ancillary rights and has hell of a shot on the upside." You stein's clients include investors w want to make movies, so he may inordinately sanguine about prospe But some pictures have certainly m plenty from nontheatrical sources.

Television is the most obvious an lary source of money. A network n now pay $1 million to $2 million for t showings of a so-so movie, while a like *Hooper*, starring Burt Reynolds, j went for around $12 million. Even a b office bomb, *Moment By Moment*, rep edly brought $8.5 million before opened because it starred John Travo Rates for pay cable television and syn cation to non-network stations and f eign TV can bring in another $1 mill to $1.5 million. A paperback novel ba on the movie creates a billboard effec the book racks and brings in some bu too. The *Star Wars* "novel," for examp has over 5 million copies in print. M ies are being made with albums in mi following the runaway successes of *Sat day Night Fever* and *Grease*, now the t best-selling albums ever. And a ph novel of *Grease* for lip movers points

nother source of extra money. Mer-
dising tie-ins—everything from T-
s to ray guns—are common these
. In fact, it may even be possible now
coup the entire production cost of a
ıre before any money comes in from
ox office by selling those rights in
nce. Not all movies have these pos-
ities. It's hard to imagine much mer-
dising for films like *Coming Home*,
t a paraplegic's love affair, or *The*
Hunter, about a Vietnam veteran.
e two Oscar nominees have had to
e it selling tickets. But enough films
ave that potential. Those are sources
ckup money that producers can look
minimize their risks. "No producer

***ultimate reality in Holly-
od, assuming the picture is
ually released, is that there
lways going to be a gross.
re is only sometimes a net.
n more sobering, the cash
estor is often the last one in
when the gross gets
ked up—even for a film that
gs in respectable numbers.***

s on theatrical sales alone anymore,"
producer Arthur Gardner.
th all the outside money supposedly
oring at the gates these days, the
r studio and distribution organiza-
still provide the bulk of the money
is used to make theatrical motion
res, whether they make the pictures
selves or contract with indepen-
producers.
at doesn't mean that an indepen-
can't raise the money and complete
ture without help from the majors.
ct, during 1978 the majors have in-
ed their purchases of independent
uctions. Last year they bought
nd 20 completed pictures for distri-
n. Unfortunately, only 5 had rentals
cess of $5 million. Only 1, *Capricorn*
produced by Lord Lew Grade, did
r than $10 million, while 27 that
financed by major studios brought
ore than $10 million and 8 passed
million.
fore you rush out to put money into
es, remember this: The few non-
wood types who break into this
business have been in some aspect
ntertainment before. In 1977, Joe
ks used money he made writing
ision commercials to produce *You
Up My Life*. It did nicely and won an
r for its title song. And last year
er's bought and released a picture
d *Girl Friends* that Claudia Weill
e with a $10,000 grant from the Na-
l Endowment for the Arts plus loans
friends and relatives. Warner's paid
nd $600,000 for Weill's movie and
e broke even on it.

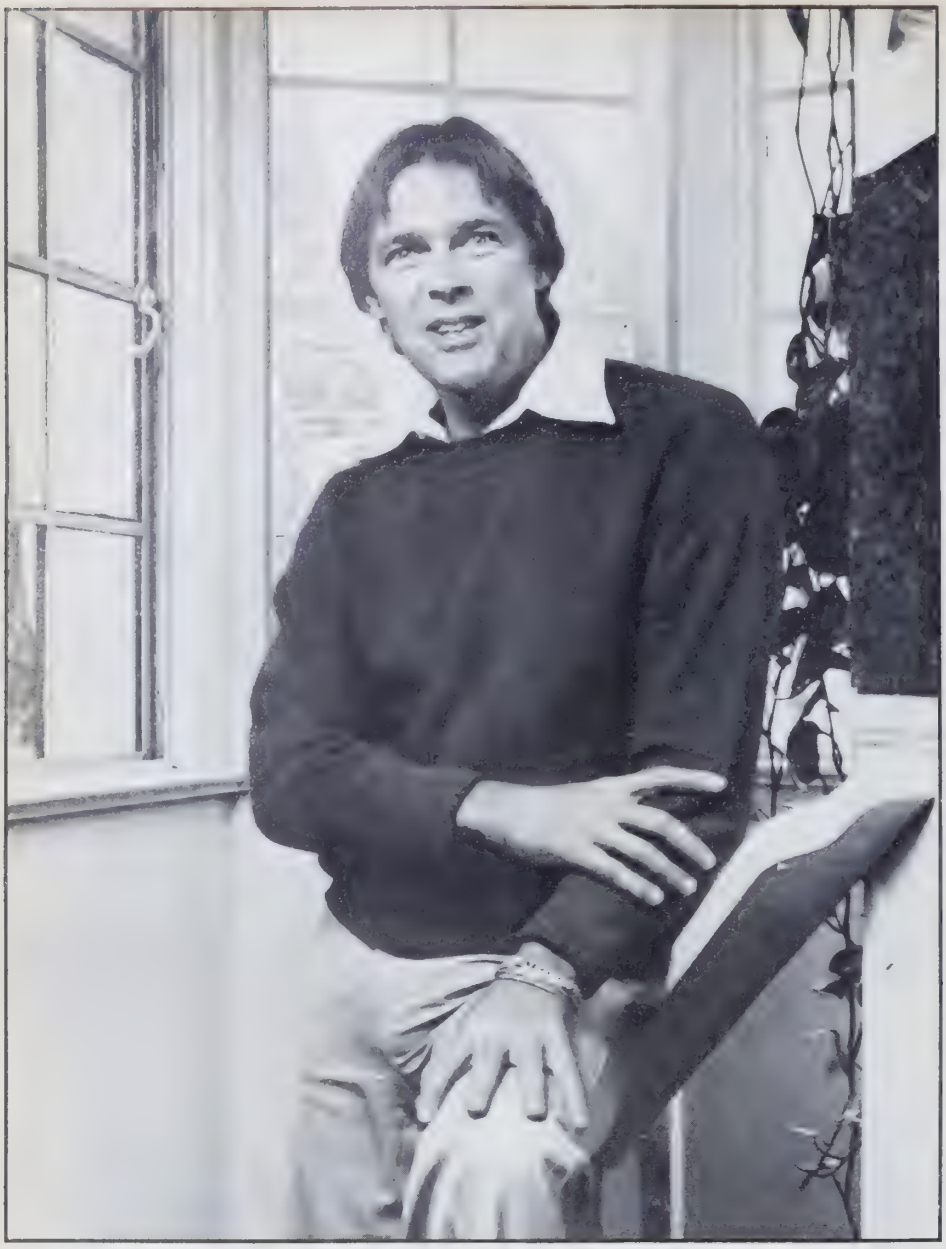
Independent consultant Max Youngstein
"For the independent producer, the television sale is like studio financing."

For the most part, the movie business, like everything else, belongs to the professionals. Take the producers who work for the studios directly or, increasingly, as independents with contracts that provide for production fees when they're working, as well as financing, distribution and profits. Probably the best known are the team of David Brown and Richard Zanuck, who made such films as *The Sting* and *Jaws* for Universal, and Frank Yablans, who made *Silver Streak* for Twentieth Century-Fox.

These producers are almost invariably veteran studio executives—producers, directors, editors, story buyers—or agents who have been selling packages in Hollywood for years. "An investor is really investing in the man who makes the decisions," says Edmond Saran, a former foreign sales chief for the Italian distributor Titanus and now president of an independent production company. "Otherwise the figures are scary."

The bulk of independent production financed outside the studios comes from the handful of large companies who make five to ten pictures a year, have bank credit, but distribute through the majors: Lorimar Productions, Lord Lew Grade's ITC, Dino De Laurentiis Productions, Roger Corman's New World Films. While it has yet to release a movie, Orion Pictures, started last year by five former top executives from United Artists, will be in this league. "Unless you're an ongoing business, it's hard to get the synergism from preselling, for example," explains Peter Guber, chairman of Casablanca Records and Filmworks. "An individual doesn't get the play."

A major new source of money coming into the business is from foreign distributors who want pictures to show in their countries. Today a lot of these foreign operators not only will buy completed



Brilliant Films' Randy Eaton
"Where are the craziest areas? In financing and distribution."

films, but they will agree to bankroll part of a film in exchange for the right to distribute it. Such agreements can be used to borrow money to finance production. Producers like Dino De Laurentiis and Joseph E. Levine have used this kind of financing for some time, but more and more producers are looking to the world market for sources of financing. *Meteor*, a $17 million film about disaster on a global scale, was financed primarily by selling rights to distributors in Southeast Asia, Scandinavia and Iran. Warner Bros. then bought the remainder of the worldwide rights and American International Pictures bought U.S. and Canadian rights. After the script for *Meteor* had been rewritten, reportedly all that remained of the original was the destruction of certain major cities, because the investor-distributors wanted people to see their own cities wiped out.

So important have foreign audiences become (foreign rentals in 1977 were $600 million, 41% of total worldwide rentals) that pictures are being put together to give them global appeal. Recent movies like *Brass Target*, *Force 10 from Navarone*, and *The Wild Geese* (action films with big-name stars of several nationalities) are made to clean up overseas even if they are only minimally successful here. *The Cassandra Crossing*, for example, was a dismal flop in the U.S., but, according to its producer, England's Lord Lew Grade, it took more than $4 million from Japan alone. *The Eagle Has Landed*, another Lew Grade production, had rentals of $7 million in the U.S. but $3 million in England alone.

Making movies for American television and selling them overseas to be shown in theaters has been bringing in money to studios like Universal for years. But it has become more important lately. Lord Lew Grade's $6 million *All Quiet on the Western Front* and Z Braun's $8 million *Freedom Road* will released this way.

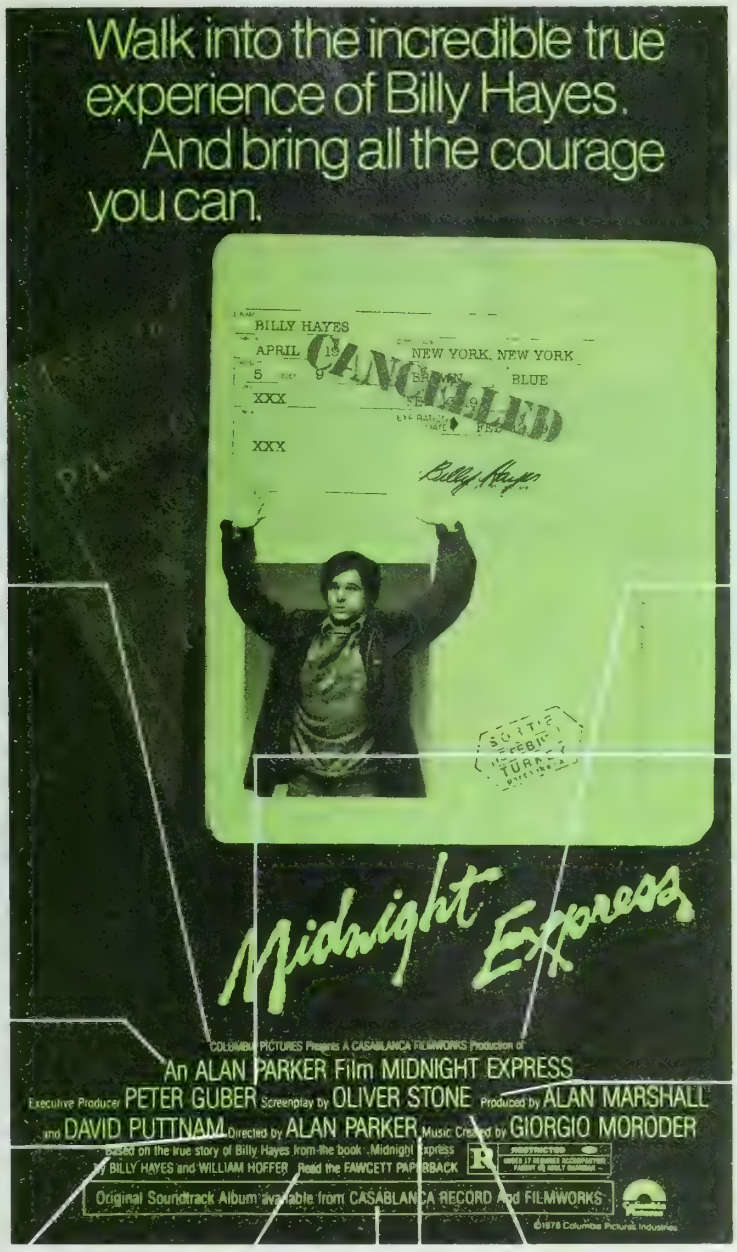
In spite of all these complexities, you still want to be in pictures? For little as $10,000 almost anyone can b movie mogul through limited partn ships offered by investment counsel who raise private money for produce They fly into Minneapolis or Wich and use their business contacts to fi money. "Anyone who has a busin manager is probably in a high enou income bracket," says consultant You stein. "Hollywood has a high profile. I irresistible bait for a doctor in Minnea lis to have a Hollywood connection." I

Getting a film released is n all that simple, because of t high costs of promotion th the distributor has to a vance. The shelves of fil storage vaults are packe with pictures that were co pleted but that were not co sidered worth risking go money to release.

wealthier investors there are priv placements. "Money is not difficult find once you get the right elements a a reputation," says attorney Arnold K pelson, who has produced three filn including two for exhibitor Gene Cinema Corp. Kopelson is think about using a private placement to ra $10 million from private investors film production.

Will he get it? Probably. Congress h closed the tax shelter whereby—throu the use of nonrecourse loans—invest could write off 100% and more of th cash investments in movies. But t money still comes. After all, a 7(writeoff isn't bad, as Lewis Horwi head of the entertainment division First Los Angeles Bank, so aptly puts "For $20,000 you can feel like a shot." If you have big money to inves $1 million, say—companies like Av Embassy, Columbia Pictures and Tran merica's United Artists subsidiary oc sionally offer deals which enable them spread their risks while still earning nancing fees. Frank Aries, the San Fra cisco real estate man who put up a l chunk of money for Avco Embass *Winter Kills*, will get to see his name ri below the title—"Frank Aries Present For the small investor? There are opp tunities aplenty, most extremely dice

New money is always coming in fr somewhere, looking, hoping, dreami drooling. The smart actors, directors a producers put their money into shoppi centers and oil drilling, but plenty shopping center operators and oil drill can't resist the tinsel. ■


Walk into the incredible true experience of Billy Hayes.
And bring all the courage you can.
BILLY HAYES
APRIL
NEW YORK, NEW YORK
BLUE
CANCELLED
XXX
XXX
Midnight Express
COLUMBIA PICTURES Presents A CASABLANCA FILMWORKS Production of
An ALAN PARKER Film MIDNIGHT EXPRESS
Executive Producer PETER GUBER Screenplay by OLIVER STONE Produced by ALAN MARSHALL
and DAVID PUTTNAM Directed by ALAN PARKER Music Created by GIORGIO MORODER
Based on the true story of Billy Hayes from the book "Midnight Express"
by BILLY HAYES and WILLIAM HOFFER Read the FAWCETT PAPERBACK
R
RESTRICTED
Original Soundtrack Album available from CASABLANCA RECORD And FILMWORKS
©1978 Columbia Pictures Industries

olumbia Pictures resents
olumbia financed the cture and distributed it. he picture cost around 2.6 million. About $1.2 illion came from an utside tax-shelter deal. In eturn for financing, Co-mbia got right to distrib-te, ancillary rights, wnership of the picture d creative control, as ell as over 60% of the net rofits, from which they ave to pay outside inves-rs.

n Alan Parker film
his is just a credit that's art of his compensation.

irected by Alan Parker
s director, Parker got ore than $150,000 plus ½% of the net profits.

ased on the true story f Billy Hayes
lly Hayes got 125,000 plus 5% of the et profit.

A Casablanca Filmworks production
Casablanca brought the project to Columbia in return for 25% of the net.

Executive Producer Peter Guber
Guber is chairman of the board and a co-owner of Casablanca Records & Filmworks. He was formerly executive vice president of worldwide productions for Columbia Pictures. He conceived the project and put it together for Casablanca.

Produced by Alan Marshall and David Puttnam
Marshall and Puttnam were the line producers; they made the picture on straight salary.

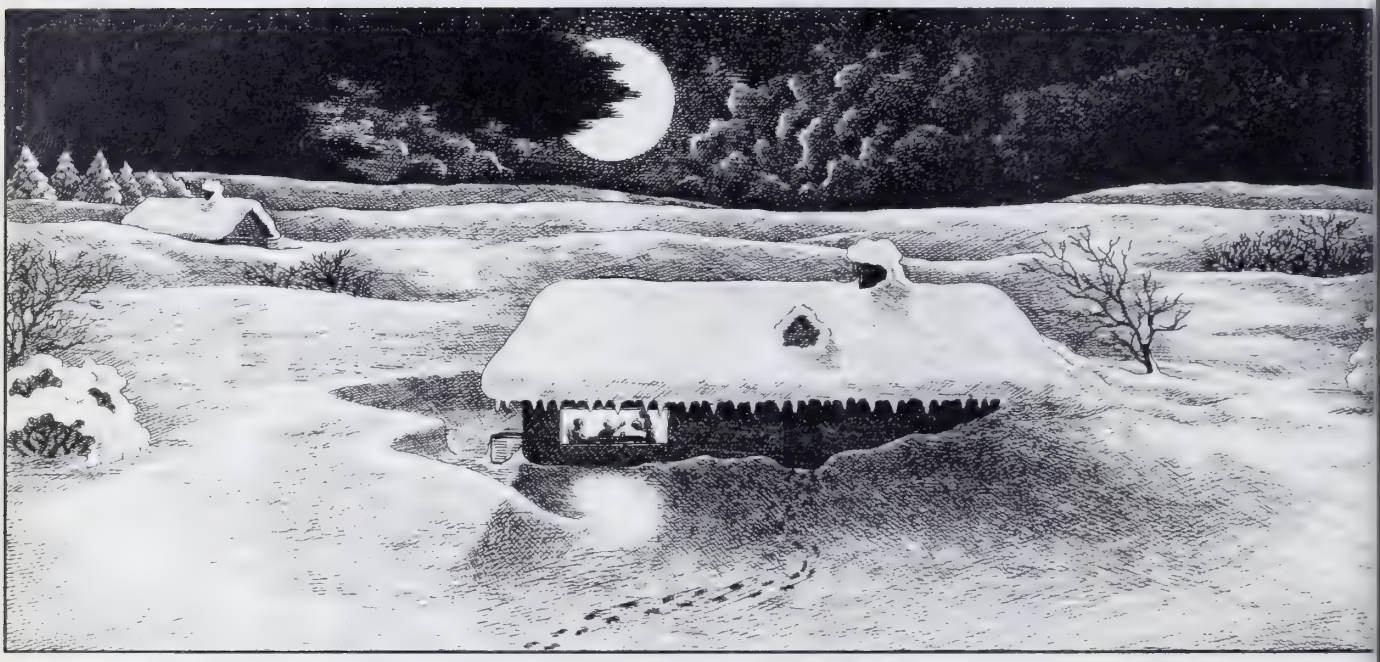
Read the Fawcett paperback
Fawcett paid the authors $90,000 for the paperback rights plus another $25,000 when the movie began production.

Music created by Giorgio Moroder
Moroder is an independent composer from Germany who has done projects for Casablanca. He got a fee for his score.

Screenplay by Oliver Stone
Stone received a fee of $75,000 for the screenplay. No profit participation.

Original soundtrack album available from Casablanca Records & Filmworks
Casablanca has the rights to the soundtrack and is the distributor through its record division. A percentage of the royalties are paid back to the movie grosses.

Hidden in the cold air
your house. Here



City Investing's Rheem Air Conditioning Division has an innovative way for homeowners to cope with high energy costs. The heat pump.

Even when the temperature outside is well below freezing, the air contains heat.

Heat that can be extracted from its icy surroundings and brought into your house.

All it takes is a heat pump.

More specifically, a *New Day* Heat Pump, manufactured by our Rheem Air Conditioning Division.

Our *New Day* Heat Pump. It warms your house in winter.

Here's the principle that makes our *New Day* Heat Pump work. It's essentially the same one that makes your refrigerator work.

All heat pumps require certain basic components. A coil and blower inside your house. And another coil, plus a compressor and fan, outside your house.

What circulates within the coils is called a "refrigerant," although it also acts as a heat-transfer medium.

This refrigerant, circulating continually within the system, permits the heat pump to warm your house, or cool it, automatically.

How?

In winter, outside air is drawn over the outside coil. Heat that's always present, even on coldest days, is absorbed and transferred through the refrigerant to the inside coil.

Now the heat pump draws air over the warm inside coil, where it is heated to a comfortable temperature and then circulated

ough warm air to heat
ow to find it.

efficiently throughout the entire house.

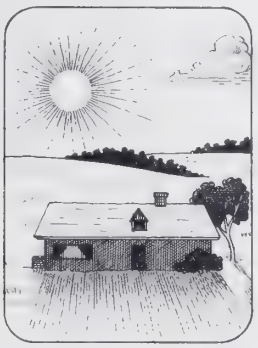
It also cools your house in summer.

You've probably noticed that your refrigerator gives off a little heat on the outside even though it's keeping things cold on the inside.

Why?

Because the circulating refrigerant is absorbing heat from inside the refrigerator and transferring it out into your kitchen.

Now think of one of our heat pumps doing the same thing, but on a larger scale.



Being reversible, the *New Day* Heat Pump works during warm weather to remove hot, humid air trapped inside your house. While circulating cool air.

Thus our heat pump helps keep you warm in the winter. And cool in the summer. Automatically. It's not only a simple idea. It's also a practical idea.

Coping with high energy costs.

Because it starts with a natural source of warmth – heat that's always present in the air – a heat pump is highly energy-efficient.

This means it delivers more heat from a given amount of electricity than a conventional electric furnace. Even in parts of the country where an auxiliary heating system is needed.

Which makes the *New Day* Heat Pump definitely an idea worth looking into.

Meeting basic needs with good ideas has helped our Rheem Division through a long and innovative history of products like the *New Day* Heat Pump.

This same kind of innovative thinking continues to guide the profitable growth of other City Investing operations.

Our companies profit from good ideas.

In housing, we plan and develop entire communities. We're a major builder of single-family houses and mobile homes.

In manufacturing, the talents that have made us world leaders in the production of steel shipping containers and water heaters also enabled us to introduce the *Sun Set* and *SunDirector* solar water heating systems.

In insurance, we're a major property and casualty underwriter, specializing in policies tailored to business needs.

To learn more about City Investing, and the *New Day* Heat Pump, just clip the coupon.

John Herndon, Vice President
City Investing Company, Department Y
767 Fifth Avenue, New York, N.Y. 1002

Dear Mr. Herndon:
Please send me more information on:

☐ The *New Day* Heat Pump
☐ City Investing Company

Name_____

Address_____

City_____

State_____ Zip_____

Telephone (_____

FO 3-19

City Investing

Health-food "nuts" are too big a business to be a joke anymore.

Growing up among the bean sprouts

By Harold Seneker

EVERYTHING NATURAL, which opened last month on a corner in New York City's Greenwich Village, looks like the archetype of all health-food stores. It is small. It is decorated with an old harrow and other rustic touches. It has a health bar that really does sell freshly pressed carrot juice. It is run by a onetime salesman of industrial chemicals who chucked his first wife and his father-in-law's promise of the business a few years ago and learned health food from his new brother-in-law, who runs an even smaller shop nearby. But Clifford J. Bareish, proprietor, 34, lives on the fashionable Upper East Side of Manhattan rather than in the Village. Standing amid granola bars, cans of ersatz meats for vegetarians and carob bean confections, he surveys his new domain. "You used to get a lot of people in health foods who didn't know how to run a business," he remarks. "They really didn't care about making a profit. But, face it, I'm here to make money. This is a business enterprise." He pauses. "This can be an incredibly lucrative business," he breathes.

So it would seem. There are now, by industry estimates, approximately 6,000 health-food outlets around the country, and their number is growing. They have a trade association, the National Nutritional Foods Association, that lobbies Washington. They have an annual convention and trade show, which will be held in Las Vegas this year. There are no good overall figures as yet, but what figures there are indicate they will do this year, in aggregate, more than $1 billion worth of business, maybe quite a bit more. And they are riding a boom of remarkably long standing: Dollar volume has probably doubled since 1975, and by one estimate increased an astonishing 650% over the past ten years.

Some 18 million people buy in health-food stores now, and over 2 million subscribe to the current health-food bible, *Prevention* magazine. Store patrons tend to be mostly women (2-to-1), better educated than average, white-collar or professional, and somewhat more single than the general population.

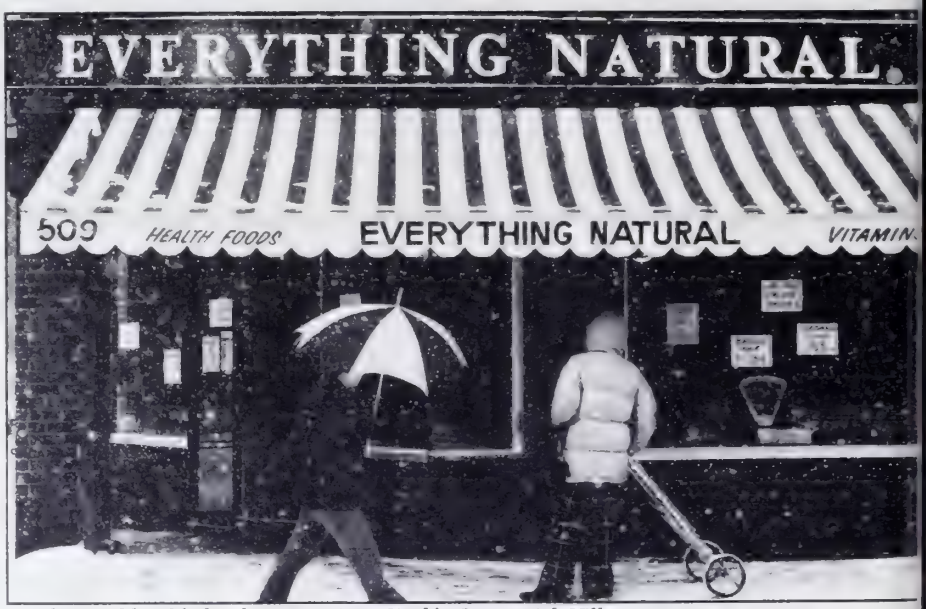
The key to selling to them is knowing the stock, the better to aid a credulous and eager public amid the mysteries of nutrition. Colds? Vitamin C, of course. Overweight? The latest fad diet, just gearing up, is a high-fructose regimen. Fatigue? B vitamins and brewer's yeast. Allergies? Vitamin C and vitamin B_6. Blues in your sex life? Ah, the pharmacopoeia! B vitamins and brewer's yeast again, vitamin E, perhaps vitamin A, ginseng, and selenium pills for the gentleman's prostate. . . .

One of this fledgling industry's principal trade magazines, *Health Foods Business*, extracts a composite of the typical health-food outlet from an annual survey it conducts, and its numbers do a lot to explain why the business now attracts people with Cliff Bareish's attitude:

The average storeowner has abo 1,600 square feet, counting 400 squa feet of storage space, and does a volu of $172,000 a year, with a heartwarmi average markup of 35% for most ite except vitamins (FORBES, *Feb. 5*), whi average a very heartwarming 51%. T average storeowner's rent is $570 month, or 4% of sales. He takes $17,5 down to net, for an average margin 10.2%. But this is only the avera which includes hundreds, maybe tho sands of relatively nonprofit ex-flow children and other true believers, wh establishments come and go like ma flies. The Bareishes in this game c expect to do a lot better.

Since inventory typically turns ov eight times a year, the average sto owner has no more than $14,000 tied in the business that way. He has abo 300 cubic feet of refrigerator and freez space, but the rest of his capital inve ment is apt to be shelving, a cash regis and a sign over the door. The hours a long, 60 to 70 hours a week, but he ha couple of full-time clerks helping (at $1 or so a week) and a couple of part-time

The business is seemingly founded solid bedrock: a large public's consu mate faith that physical salvation som how resides in certain foods, or that t reverse lurks, hidden behind innocent beguiling appearance, in others. The pu lic does not always agree on which foo are which but, correct or not, the ba notion is certainly venerable. What J Kellogg wound up calling corn flak were such a health food in their day, p of the cure at his sanitarium in Bat Creek beginning in 1898. Campb Soup's familiar V-8 cocktail vegeta juice debuted in the 1930s as a heal food; yogurt is perhaps the most rece "nut food" to become commonplace.



Traditional health-food store in New York's Greenwich Village
Rain or shine or snow, business keeps getting brisker.

Wolfschmidt Vodka.
The spirit of the Czar lives on.

It was the time of "War and Peace." "The Nutcracker Suite." Of Tolstoy and Dostoevsky.

Yet in this age when legends lived, the Czar stood like a giant among men.

He could bend an iron bar on his bare knee. Crush a silver ruble with his fist. He had a thirst for life like no other man alive.

And his drink was the toast of St. Petersburg. Genuine Vodka.

Life has changed since the days of the Czar. Yet, Wolfschmidt Genuine Vodka is still made here to the same supreme standards which elevated it to special appointment to his Majesty the Czar and the Imperial Romanov Court.

Wolfschmidt Genuine Vodka. The spirit of the Czar lives on.

Wolfschmidt Genuine Vodka

...from grain • 80 and 100 proof • Wolfschmidt, Kinsey Mfg.

Minneapolis is a city on the move. The area's cultural and recreational resources offer a unique, lively lifestyle to its residents. We asked some of them how America's number one magazine keeps up with their pace.

"They don't ramble."

Gary Zuhlsdorf is general agent for State Mutual Assurance and an avid, year-round sportsman. He skis, sails, hunts and camps out even in winter. About TV Guide, he told us, "They don't ramble. It seems they are more factual. I appreciate this. **It contains enough interest to keep me coming back.**"

Today's active, on-the-go Americans keep a close eye on their time. And how they spend it.

All across the country, millions have developed a clear idea of how television fits into their lifestyles, influences their families, and helps shape our society. That's because over 43 million of these thoughtful adults give their attention to TV Guide, week

America reads

TV Guide and the TV Guide logo are registered trademarks of Triangle Publications Inc.

Away from her job as product manager for General Mills, Judy Miao unwinds with tennis, golf, fishing, and reading. "I think **TV Guide presents factual reporting,"** says Judy. "It provides articles of various interests—personalities, social issues, political issues when they are very timely."

John and Mary Lindquist feel that their children are more knowledgeable because of television. They're choosy about what their family watches. "I think TV Guide is a great help," says John. **"There are some fine articles in there that tell a lot about what's going on in the industry."**

"TV Guide gives more of a background," says Barb Michel, working woman, sports enthusiast, and mother of a nine-year-old hockey-playing son. **"I read it from front to back.** I don't ever leave out articles."

"We pattern our purchasing of new products on the kind of promotion they are going to get," says Don Byerly, president of Byerly Foods and part-owner of the Minnesota Kicks soccer team. "TV Guide is a natural tie-in for a food-related product. More than that, I think **it's a first-class piece of publishing."**

after week. It's a reading activity that generates an audience for advertisers more rapidly than any other magazine.

So the week you kick off that sale, start a new product moving, or want to give your current campaign a shot in the arm, our readers are ready for action. And so are you.

Sell to America in America's best selling magazine.

TV Guide.

TV GUIDE®
TRIANGLE PUBLICATIONS INC

Are there any hotels left in the world that still practice the fine art of attention to detail? Precious few.

Four Seasons Hotel
MONTREAL
Sherbrooke at Peel

Call your Travel Agent
or in New York State
Toll-Free 800·462·1150
Elsewhere in Continental
U.S. 800·828·1188

We Welcome
American Express Cards.

AMERICAN EXPRESS

There are evangelistic nutrition gurus, the Linus Paulings and the Adelle Davises, denouncing chemicals and artificial foods and preaching the supernutrition gospel of vitamins, or brewer's yeast and blackstrap molasses, or organic vegetables. Moreover, it seems every other month a new FDA or AMA pronouncement comes out, sure to scare still more legions into converting.

Aside from the legitimized items like yogurt, and from taking preservatives out and putting the label "natural" on a few supermarket items, the giant food companies seem to have done relatively little in natural foods. Most of the producers are still small, some literally kitchen-table operations. So, too, are the distributors, though a few regional wholesalers are approaching respectable size. Some successful retailers, however, taking advantage of the fast cash and low investment nature of the business, are branching out into chains.

Interior of General Nutrition Center store
Even sesame seeds and dried kelp can be mass-marketed.

By far the biggest is David B. Shakarian, 65, of Pittsburgh. His General Nutrition Centers are a far cry from Everything Natural and its ilk: big, bright, fluorescent-light-and-plastic affairs labeled GNC outside and full of the house brand and point-of-sale displays screaming the week's bargains, just like any well-run chain discount store. GNC exploded into prominence in the last ten years. Shakarian has over 700 stores now, stretching from the brand-new one on New York's Herald Square to the flock of almost new ones in Los Angeles, and he is opening others around the country, mostly in big shopping malls, at the rate of two a week. He has one manufacturing plant in Fargo, N. Dak. and another in Greenville, S.C. and says he is expanding both. "Our secret is we self-manufacture almost 90% of what our stores sell," he crows. Actually, he means "self-package," after buying in bulk. Being private, he declines to discuss any numbers whatever, aside from the store census, but FORBES calculates that, between the stores and a sizable mail-order operation, his annual sales must well exceed $200 million.

Quite a change from the simple store Shakarian opened in 1935. "We design foods meant to replace the junk foods—comparable foods, but without sugar or bleached white flour or preservatives or artificial colors or flavoring," he says eagerly. "People say we gouge the public on prices, but when you compare the actual nutritional content, our prices are better. You pay $1.40 a pound for potato chips, you know, but plain potatoes give more nourishment at 14¢ a pound."

When he considers all the misspent billions going up the supermarkets' food chain from the sadly misled, tragically malnourished, potato-chip-chomping majority, the possibilities excite Shakarian still more. "The potential number of stores is unlimited," he exclaims. "Right now, the market could support 5,000 or 6,000 GNC stores. In Pittsburgh, we have 25—all profitable. The same saturation nationwide would give us 4,000 right there."

Unfortunately, not everyone shares his vision. He has only term debt from banks and insurance companies, no long-term debt, and must use only internal cash flow to finance new store openings. Current interest rates, needless to say, worry him a lot; and the two-a-week pace is already a marked slowdown from 1978, when he averaged three a week on a smaller base. Recurrent rumors circulate in the business that he is overextending himself, and that he has trouble keeping all his suppliers paid on time. "Our fast growth has periodically caused temporary [cash flow] problems," Shakarian concedes. "But," he insists, "we are not in trouble now. Our fiscal management is in good order."

Meanwhile, back in Greenwich Village, Bareish contemplates the bright, flashy GNC outlet a few blocks from his new store. Its presence does not trouble him. "When they opened, we were worried about our other store," he says, meaning his brother-in-law's place, only one block from the GNC. "But their clerks can't give advice because they don't know the stock. Our sales leveled off for a few weeks and then they began going up again. We'll do fine, offering the specialty items they don't have."

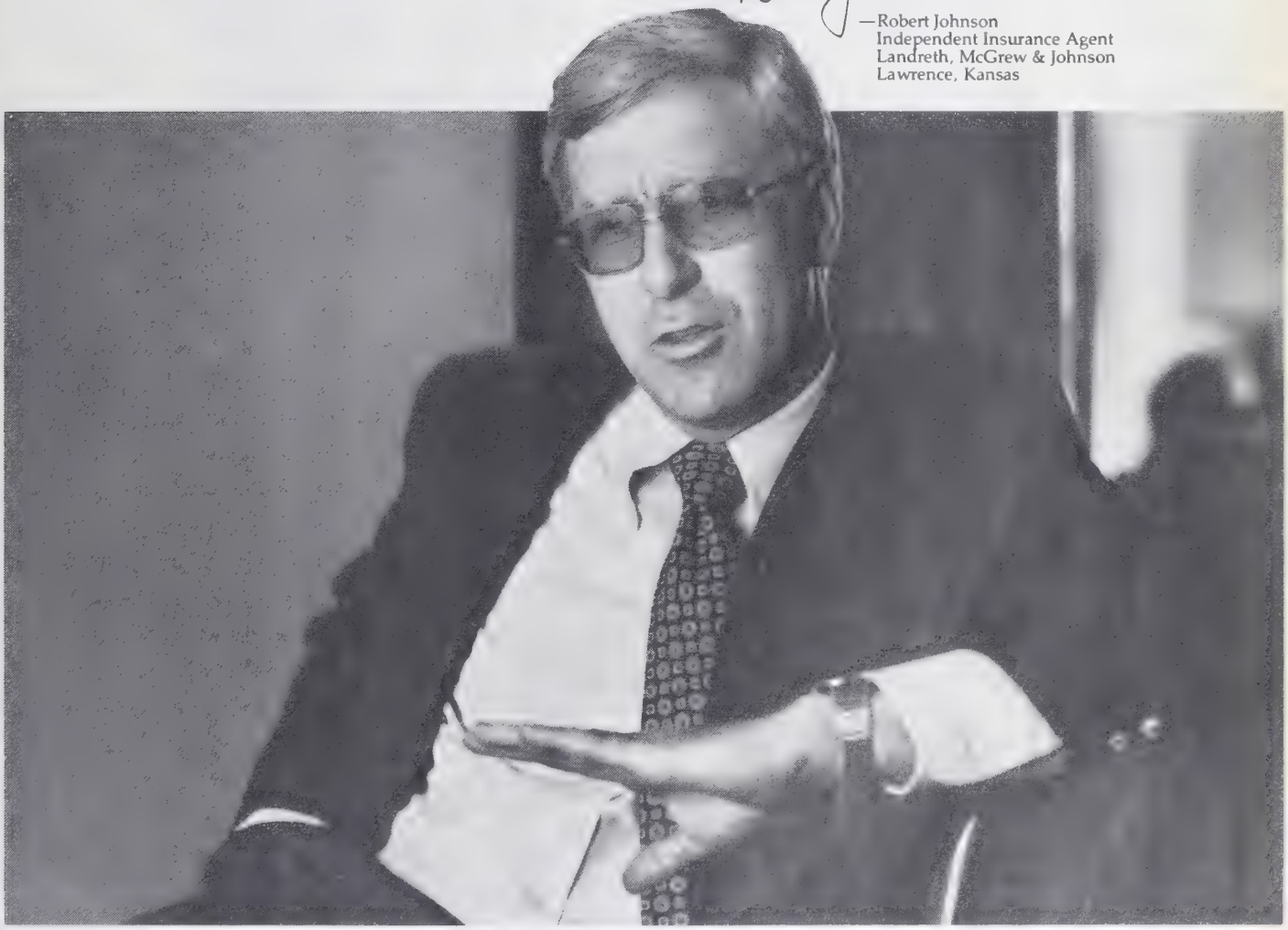
One can argue the merits of the products, or the wisdom of going the flashy discount-store route versus looking initiated and organic, but one thing is certain: If they can stay solvent—and if they can hold on to the big growth market they now have to themselves—both breeds could find themselves going a very long way with it. ■

CNA believes working with agents is one of the most effective ways we help keep insurance affordable.

"I don't deal with CNA's computers. I deal with CNA's people.

A big insurance company like CNA needs its computers. But this is a people business. And, to help me and my clients here in Lawrence, I need CNA's people. People who listen when I tell them about my clients' special problems. People I can count on to come back with an answer. After all, it's my job to understand my clients' needs. I deal with CNA because they have people who are willing to do the same."

—Robert Johnson
Independent Insurance Agent
Landreth, McGrew & Johnson
Lawrence, Kansas



INSURANCE FROM
CNA

Judge us by the agents who represent us

Continental Casualty Company/Continental Assurance Company/CNA Plaza/Chicago, IL 60685

VISA

Now: Two ways to bail out the kids.

Beginning this month, VISA joins Western Union's emergency Money Order service.

Which means you now have two easy ways to send money when it's needed fast.

All you need is VISA or Master Charge and a telephone.

With Western Union's Charge Card Money Order service, you can send a Money Order anytime. Up to $300. And charge it to your VISA or Master Charge.

Simply call Western Union's toll-free number, 800-325-6000, day or night (In Missouri, 800-342-6700.) The Money Order is flashed to one of our 8,100 offices or agencies, located throughout the country except Alaska and Hawaii. It usually can be picked up within two hours, when the selected location is open for business. (Some are open around the clock.)

The Money Order amount and our charge will appear on your VISA or Master Charge statement. Simple as that.

You can send regular Money Orders, too.

If you don't have a VISA or Master Charge card, we still can help. Just take cash—any amount—to a Western Union office or agency. And we'll send a regular Money Order.

That's not all. Our Commercial Money Order service offers an instant credit line to businesses once they qualify. Up to $5,000. No charge to open or maintain the account.

Your Money Order can be picked up at one of our 8,100 offices or agencies, located throughout the country except Alaska and Hawaii.

And if you're a Telex or TWX® subscriber, you can send Money Orders directly from your terminal.

Send for your free emergency money wallet card.

For more information about our Charge Card Money Order service, and for a free wallet card that explains how to use it, complete the coupon.

FB

Boyd Humphrey, Western Union Corporation
One Lake Street, Upper Saddle River, N.J. 07458

☐ Send me a free Emergency Money Wallet Card describing how to use your Charge Card Money Order service.

☐ Send me more information on Western Union's Commercial Money Order service.

Name _____

Address _____

City & State _____ Zip _____

western union

© WESTERN UNION CORPORATION 1979

Why is everything up at Ma Bell except the stock price? Don't yesterday's dividends mean anything?

Ma Bell: There ain't no gratitude

The Streetwalker

American Telephone & Telegraph—the stock—has treated its stockholders well. In a market where many blue chip stocks sell for a fraction of what they brought in the early Seventies, Ma Bell has held up rather well. Even in the dark days of late 1974, when the market lay in ruins, AT&T common never dropped more than 30% from its previous year's high.

The reason for this is that AT&T—the company—has treated its stockholders well. Over the past decade its dividends, rising in gradual stages, have about doubled. So have earnings. Ma Bell, in short, has kept up with inflation. Why, therefore, on the heels of the latest dividend boost—from an annual rate of $4.60 to $5—has the stock turned weak? Despite the good dividend news last month and a 17.7% increase in earnings to $5.27 billion for 1978, the stock failed to equal its 1977 high.

Why the disappointing reaction to the dividend boost? The Streetwalker put the question to some analysts who follow the stock closely. The negatives came on like a requiem. "I see a sharp slowdown in the growth rate in 1979," says Charles W. Schelke of Dean Witter Reynolds Inc. "I see a slowdown from the unsustainable growth of earlier years," adds Richard C. Toole of Bache Halsey Stuart Shields Inc. "I see flat earnings," says Steven G. Chrust of Sanford C. Bernstein & Co. "I see little downside risk, but almost no upside potential. The outlook is very dull."

Chrust actually thinks Telephone might be a sale at this point, at least for institutions holding a lot of the stock. Schelke and Toole opt for the middle path. They think Telephone is a hold, but are emphatic in their agreement that the stock is not a buy just now.

The earnings estimates for this year and next come from every point of the compass, but none of them is bullish. Dick Toole thinks AT&T will notch between $7.95 and $8.05 a share this year (compared with $7.74 last year) and $8.25 a share in 1980. Steve Chrust is projecting $7.85 and $7.95, respectively, while Charles Schelke looks for $8 a share this year and $8.40 next year.

Is this so bad? At $8 a share, say, AT&T sells at less than eight times the Schelke estimate for this year, at an earnings yield of nearly 13% and a stock yield of 8%. It's the old question of momentum. Wall Street loves momentum. It would prefer to see a low-yield-rising to a high-yield-holding-steady.

The Street's predictions of flat earnings are barbed with questions over whether AT&T will be making enough money to maintain quarterly dividend increases of 10 cents a share that have come their metronomic way in each of the last four Februarys. Steady enrichment is why most people buy AT&T.

The Street's predictions of flat earnings, though, are barbed with question marks over whether AT&T will be making enough money to maintain the quarterly dividend increases of 10 cents a share that have come their metronomic way in each of the last four Februarys. Steady enrichment of the dividend stream, of course, is the big reason most people buy AT&T.

Nobody is taking any bets on what next February will bring. Charles Schelke thinks there is only "a 50-50 chance" Telephone can stick to the February pattern. In fact, he says the increase might have to be deferred "until the third quarter." Steve Chrust makes much the same point. "With earnings flat," the Sanford C. Bernstein & Co. analyst says, "there is a chance that the next dividend crease will be five or six quarters out."

There are other elements in the s nario. Wall Street is convinced t AT&T, precisely because its profit tios have been so good, will have much tougher time getting rate creases by the regulators than it h over the past several years. Some a lysts also argue that the great produ tivity gains Telephone has punched over the last several years are beginni to taper off.

Beyond all of that, there is conce over the threat of competitive strik into traditional Bell territory by su savvy marketers as the Internatio Telephone & Telegraph Corp.; and a of uncertainty over the shape in whi Telephone will emerge from the wel of government and private antitrust su it is fighting.

Bell, as always, is rolling with t punches. The company concedes it "unrealistic" to think that the red-h growth pace of the last couple of ye could be sustained indefinitely. Nobo is blinking the fact that Bell has "be having greater difficulty with regulat in some states," or that the prospect o "modest slowdown" in the economy i very real one. The company argues, ho ever, that it still has plenty of product ity muscle up its technological sleeve. spokesman insists that any conclusio about next February's dividend policy a purely "speculative."

Wall Street has dialed wrong numb on Bell before. Most analysts, for exa ple, erred on the conservative side their estimates of how far AT&T's ea ings gain would carry last year and t year before.

Some of the shortfall then came out a seeming misreading of how well t economy in general would do. The B system does best when business booming and the long-distance toll lin are ringing with optimism. The Cassa dras just now are keening recession a the analysts have willy-nilly cranked least some of the croaking into th calculations of Telephone.

There is something of a "worst cas aura about the Street's bearish scenar Investors would do well to rememb that, in the severe 1975 recession, Bel earnings came down by a mere 3 There is, moreover, a broad consens that AT&T's earnings trajectory—a dividend payout—will begin to pick momentum again in the early Eighti Crawling out on the analytical lim Steve Chrust contends that "by 19 they'll be earning $10.50 a share a paying $6.50. I think it's going to b $90 or $95 stock," he adds, "but not rig away." To which Streetwalker ad "But then, Bell never was a stock for t highrollers with a short attenti span." ■

—Richard Phal

Not long ago, many people thought our population would soon outstrip our ability to feed it.

But what many regarded as a serious problem, Grace viewed as an unusual opportunity.

Recognizing the need to produce more food on less land, Grace turned its attention to chemical fertilizers. These soil-enriching chemicals can dramatically increase crop yields. And because these fertilizers replace the nutrients food crops take out of the soil, they decrease the need for crop rotation.

Looking ahead, Grace amassed 300 million tons of phosphate rock reserves, enough to supply its customers with phosphate fertilizers for the next fifty years. Of course, we can't always predict what the world will need next. But we do think our average is good.

Chemicals—for agriculture, industry, and packaging—are only one part of W.R. Grace & Co. In fact, Grace is a $4 billion company with interests in chemicals, natural resources and consumer businesses.

Since 1968, the company's net income has grown by an average of 15% annually, and shareholders have been receiving cash dividends for 45 consecutive years. And it's our goal to continue this performance.

Our annual report can tell you more. Send for it by writing to W.R. Grace & Co., Grace Plaza, 1114 Avenue of the Americas, New York, N.Y. 10036, Dept. FB-2.

One step ahead of a changing world.

GRACE

chemicals • natural resources • consumer products

Report from GTE.

How we can help improv

Over the past several years, GTE has developed a variety of effective intrusion alarm systems. Many of these are being used by a growing number of businesses.

The fence that talks.

Is someone trying to climb over the fence, or cut through it? We can make chain link fences tell when it's happening.

The key to this GTE system is a ⅛"-diameter sensing cable threaded along the fence. This converts vibrations into signals at a central monitoring station. A processor separates most fa alarms from the real thing.

The earth that hears.

How about people or vehicles entering stricted areas that aren't fenced in? Every st creates an infinitesimal earthquake. We develop a system of very sensitive buried microphones combination with a signal processor, which distinguishes actual intrusions from vibrations caused by natural phenomena.

ndustrial security.

ne air that feels.

Ve can even tell if an intruder is coming close orbidden metal objects like safes, file cabinets vehicles. We do it with a system that senses nges in electrical energy caused by a person roaching a protected object. The alarm is trig-ed if the intruder comes within a few inches, ne connecting cable is cut, or if the power fails.

We're a total communications company.

Whether the communications take the form of an intrusion alarm, a data communications system, or even a simple phone call, it's all a part of the activity of GTE. We're a lot more than a phone company.

GTE

One Stamford Forum, Stamford, Connecticut 06904

Something terrible happened to Rohm & Haas on its way to $1 billio in sales. Having trimmed its losses, the company is sadder. Th question now is: Is it also wiser?

A funny thing happened ...

By Geoffrey Smith

CHAIRMAN VINCENT L. GREGORY JR. of Philadelphia's Rohm & Haas Co. says he's a changed man. Repeatedly he attacks the folly of his former ways as a growthaholic: "I was out there leading the pack on this 'Let's keep this thing going' business. 'If you make a mistake, we'll grow right over it.' Much too gung ho. And a less than realistic strategic planning process."

No one could argue with that.

In 1973 he told shareholders: "I believe Rohm & Haas has the best dynamics for growth in the worldwide chemical industry." That year Rohm & Haas stock sold for 22 times earnings. Two years later earnings dropped 69%, from $74 million to $23 million, on over $1 billion in sales. In 1976, the company sank $12 million in the red, more badly hurt than most by the abrupt price hikes in oil and gas and the collapse of the fibers business. The stock was over 100 in 1973; last year it was as low as 28.

That would have been the end of Vincent Gregory in many companies. Not because of the OPEC embargo, which no one foresaw, but because he should have gotten out of the fibers market th years before OPEC—the minute he came chief executive in 1970. Gregory the first to admit that the warning sig were all there. Quite simply, Rohm Haas had been outflanked in fibers early as 1968. R&H's Anim-8 elas meric stretch fiber had been ov whelmed by a dramatic improvement Du Pont's competing Lycra fiber on t one hand, and the sudden flowering polyester double knits on the other.

"It was at that point that we shou have folded our tents and gotten out the fibers business," Gregory now co

Chairman Vincent Gregory of Rohm & Haas
"Fibers? We should never have been in there trying to compete with the Du Ponts and the Monsantos."

Now you can own art that is as original as you are.

Christie's Print Collection offers you a unique opportunity to express yourself - by owning original art. Not reproductions. Not posters. Limited edition lithographs and etchings. Created, signed and numbered by the artist. Selected by you.

To receive our free catalog - illustrating our current collection in full color and containing a wide selection of prints in the $80 to $150 range - just fill out the accompanying coupon, put 31¢ postage on envelope, and mail it to London.

If you decide to buy a print, it will be mailed to you within weeks - with Christie's Certificate of Authentication. That's important. We are Europe's leading publisher of original prints. We are a subsidiary of Christies International, who also own the world famous Christie's auction house founded in 1766. Our name is your assurance of value.

Christie's Print Collection

8 Dover Street, London, W.1, England

Please send me your free color catalog.
I understand there is no obligation.

Name (Please Print)

Address

City State Zip

FO1/03/79B

cedes. "Instead, I listened to the glowing talk from our fibers group that we could isolate ourselves from Du Pont and Celanese and the other big producers of polyester and nylon because we had specialized grades. Boy, it sounded great! This was 'market segmentation'—the Boston Consulting Group theory. Well, it went right down the goddam rat hole. By 1975 you couldn't give the stuff away!"

At the same time the cost of natural gas, upon which Rohm & Haas was unusually dependent for feedstock, shot up by a factor of 10. "Our gas bill went from an annual rate of $5 million in 1973 to $60 million in 1976," says Gregory.

The fibers debacle forced Gregory to take a close look at other losing areas of Rohm & Haas like pharmaceuticals and animal health products, another Sixties diversification. He didn't like what he saw. "I went out to research myself," he recalls, as if such a trip were rather unprecedented. "We had an ulcer drug—same goddam class as Tagamet except that we were ten years behind Smith-Kline! Throw that out! Our research budget was so small compared with the industry's that the probabilities of success were poor."

While Gregory agonized over whether or not to sell fibers and pharmaceuticals, in 1976 those areas of Rohm & Haas managed to turn in a staggering $93 million loss pretax on sales of $140 million. Together they had only made money for the company in 1 year out of 14. There was another year and a half of losses before the divestiture was complete—not the fastest example on record of cutting your losses.

Still the board of Rohm & Haas, 48% controlled by the Haas family of Philadelphia, decided to give Vincent Gregory that rare thing—a second chance. Why? "Because the top management of Rohm & Haas got an expensive education during all this," Gregory replies with a laugh. "I'm not sure the board thought they could afford to give another management such a lesson!" Another reason maybe was the fact that it was the two Haas brothers, Otto and John, who put Rohm & Haas into fibers and pharmaceuticals in the first place when they ran the company in the Sixties. Having bypassed all of R&H senior management to tap Gregory as their successor in 1970, these self-effacing brothers, now retired from active management although still on the board, apparently weren't about to blame Gregory for what was partly their own mistake.

Thus given a second chance, Gregory is falling back on mature, cash-generating businesses where Rohm & Haas has long been dominant, like paint ingredients, floor polish ingredients and Plexiglas. Furthermore, his capital spending is slacking off, thanks to the gross overbuilding that took place in many areas of the chemical industry during the early Seventies when the industry was growing at 14% to 15% in constant dollars.

Shorn of losing businesses, Gregory sees Rohm & Haas increasing its return on capital from 7% in 1978 to 10% by 1981. "That," he says, "would mean earnings per share of $9 *vs.* $4.49 we made in 1978." Yet last month its stock sold at 36—only four times what Gregory expects to be earning in just two years' time. As overcapacity eases in Rohm & Haas' long-standing core businesses, such a significant improvement in earnings is entirely possible—barring a steep and sustained economic downturn.

Still, there remains the question: Where does Rohm & Haas go from here? Gregory points to the high 4% of sales ($50 million) Rohm & Haas spends on research and cites "growth" areas in his core businesses.

"We're the number one supplier of the ingredients for house paints," says Gregory. "Over the past 10 or 15 years we've displaced about 70% of the oils and alkyds that are used in house paints and we're after the remaining 20% or 30% of oils and alkyds still being used. We expect to grow faster than the industry."

"I listened to the glowing talk from our fibers group that we could isolate ourselves from Du Pont and Celanese and other big producers of polyester and nylon because we had specialized grades. Sounded great! 'Market segmentation.' Well, it went right down the goddam rat hole."

Trouble is, the paint industry is only growing about 1% or 2% a year and is again wracked by price-cutting as Sears' DeSoto brand tries to buy market share. Even if Gregory doubled industry performance in paint, that segment would show perhaps 3% growth a year.

"Well, that's not bad when you have a good position like we do," he replies. No indeed, but don't call it a growth area.

"Another growth area is adhesives," he goes on. "There are many products in the adhesives market, solvents for example, that are being banned as pollutants by the Environmental Protection Agency. We can replace those products with water-based systems that we invented. So even though the adhesives business isn't growing much faster than GNP, the nonpolluting adhesives market is growing 15% to 20% a year in real terms."

But that's about 2% of R&H business at the moment. Most of Rohm & Haas "chemical specialty" sales come from floor polish ingredients, a market that isn't setting the world afire.

And Plexiglas sheet, a product which has been around for 30 years or so presently in overcapacity.

"That'll wear off in about two or th years," Gregory predicts, "and th we're not looking for growth, but improved return."

It's the same story in fluid proc chemicals, basically water purifiers electrical generators and nuclear re tors, a business that is more or less a standstill now because utilities aren't panding much these days.

No specialist in a high technology dustry like chemicals can go on milk cash cows for long, even with heavy fensive research spending, without go into long-term decline.

But Rohm & Haas does have at le one loaf in the oven that puts the spar back into Vincent Gregory's eyes. It family of broadleaf weed herbici called Blazer and Goal for the big c crop soybean market. "This is proba the greatest development our compa has ever made!" says Gregory.

Most herbicides now on the mar for soybeans, like Monsanto's highly s cessful Lasso, kill the grass. With grass to contend with, broadleaf we like morning glory flourish—which worse for soybeans.

"There's only one product out th that's effective in controlling broadl weeds in soybeans and that's BASF's sagran," says Gregory. "And any exp will tell you that our Blazer, which hope to introduce in the U.S. in 1980 was introduced in Argentina in 1977 a Brazil in 1978), is a league ahead." Sin there is no competing product now testing in the U.S., Blazer and Goal w only have Basagran to compete with u til 1985. After that, for 1985 and beyo are Rohm & Haas' new concepts in pl tics, a hybrid seed business and a n generation of insecticides.

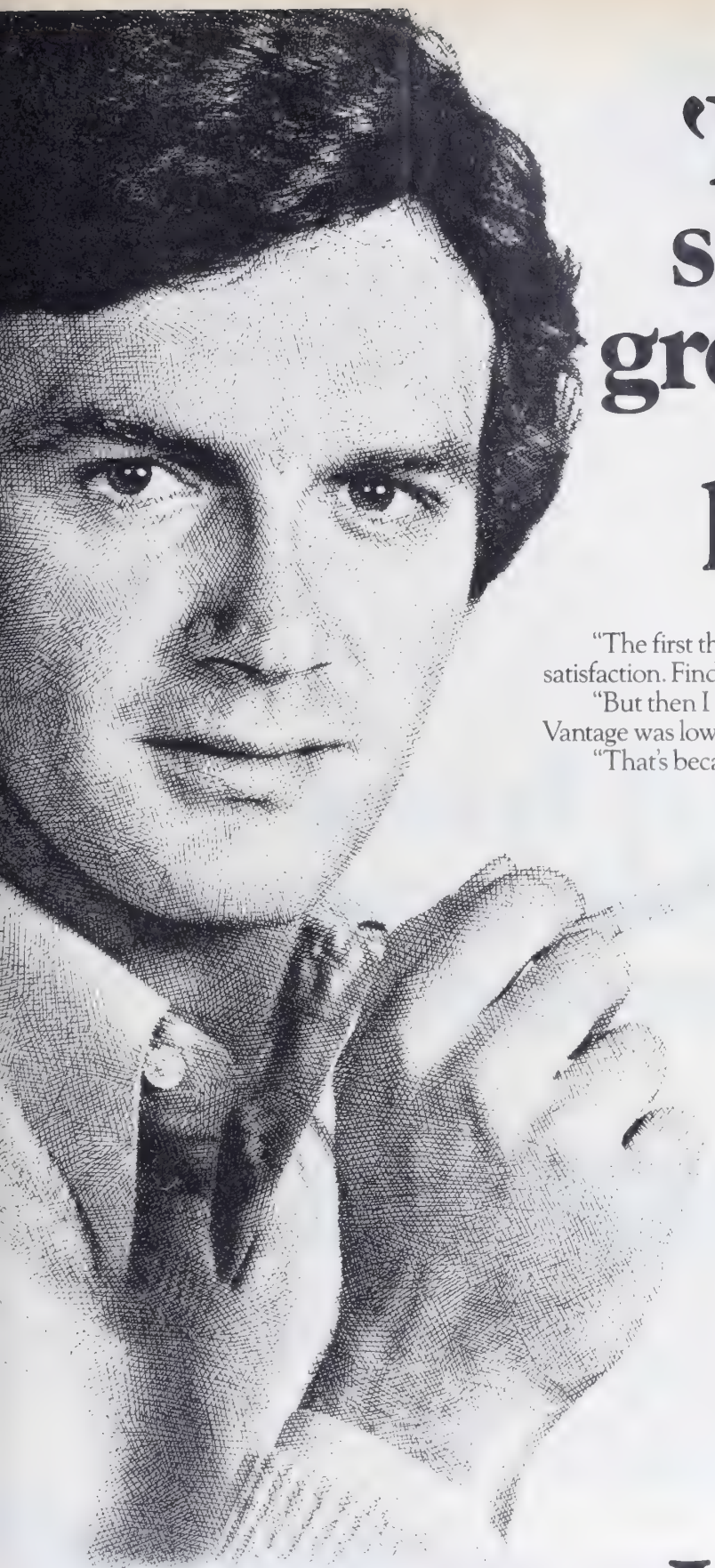
So it would certainly be too early write off Rohm & Haas as a great co pany that has sunk into stagnation. B it is also too early to predict that t company is firmly on the comeback tra

Can Rohm & Haas, after suffering m jor setbacks in its attempts to build aging foundations in acrylics, get the m mentum up again? Gregory thinks mu of the answer lies in his new strateg planning system, which he has spent lot of his own time developing. But p haps more important is how Vince Gregory now thinks of his company:

"We're the smallest of the majors," says automatically. Then he checks hi self, perhaps remembering how the co pany had been unable to compete in t big leagues in fibers and pharmaceu cals. "No, we're really the biggest of t specialty manufacturers. That's exact what we are."

Maybe that's been the trouble along. An identity crisis, which the co pany has yet to prove it has solved. ■

© 1979 R. J. REYNOLDS TOBACCO CO.



'I didn't sacrifice great flavor to get low tar.'

"The first thing I expect from a cigarette is flavor. And satisfaction. Finding that in a low-tar smoke wasn't easy.

"But then I tried Vantage. Frankly, I didn't even know Vantage was low in tar. Not until I looked at the numbers.

"That's because the taste was so remarkable it stood up to anything I'd ever smoked.

"For me, switching to Vantage was an easy move to make. I didn't have to sacrifice a thing."

Peter Accetta
New York City, New York

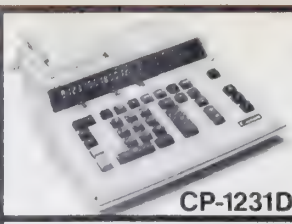
ILTER 100's: 10 mg. "tar", 0.8 mg. nicotine, FILTER, MENTHOL:
mg. "tar", 0.8 mg. nicotine, av. per cigarette, FTC Report MAY '78.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

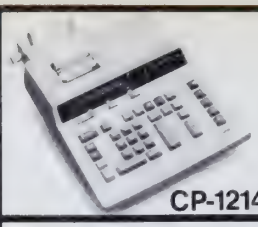
Vantage

Regular, Menthol and Vantage 100's.

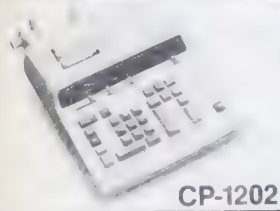
P-1420D The outstanding 14 digit, 2 memory **printer/display.** Item [illegible] mark up, mark down key, broad percentage function, reverse and non-add print key



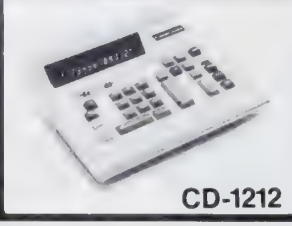
CP-1231D 12 digit, **printer/display** with 3 memory versatility. Performs four column totaling. Dual functioning item count, mark up key, delta per centage, shift key and sign change.



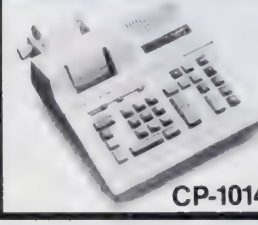
CP-1214D Advanced 12 digit **printer/display** with automatic or selective accumulation. Mark-up and delta percentage keys, two-key rollover, and buffered keyboard for quick operation



CP-1202 The perfect 12 digit **printer** with touch of adding machine to work with large numbers. Features include Grand Total key, buffered keyboard with two-key rollover



CD-1212 A versatile 12 digit, 1 memory **display** calculator. Features include mark-up key, delta-percentage key, percentage add-on and discount key



CP-1014 Reliable, economical, 10 digit, 1 memory **printer.** Features quieter, faster Canon Magnetic Printer, line of dashes selector key to separate your calculations, fixed or floating decimals

Calculators have come a long way in a short time.

They've gotten smaller. More sophisticated. More economical. And more reliable.

And since the beginning, Canon has been a leader in the calculator revolution.

In 1964, we introduced the world's first 10 key desktop calculator. Since then a continuous research and development program has enabled us to hold our position as a leader in the calculator industry. And with our improved calculators, in reliability as well.

Representing this development has been a line of advanced printing calculators that combine advanced electronic technology with simple adding machine-like keyboard.

Our display calculators have large, easy-to-read displays, fatigue-free keyboards, and are unique in their class for reliability. And our line of printer/display calculators is the perfect combination of digital display convenience and tape printout precision.

Through the years Canon has continually expanded its technological and manufacturing capability at its Costa Mesa, California plant to meet the growing needs of the American consumer. And is producing the most advanced calculators—display, printer and printer/display—at this modern production complex.

Research. Features. Reliability. Value. Now all from one reliable calculator source...Canon.

Call your local Canon dealer about the full line of more than 20 Canon commercial calculators.

Get it from a reliable source. Canon.

CHECK BELOW FOR THE NEAREST CANON DEALER.

ALASKA

Anchorage The Arctic Office Machine Co. 907 277-3527
Fairbanks Bower's Office Products, Inc. 907 479-6264

ARIZONA

Casa Grande Baker Office Supply 602 836-7425
Flagstaff Walsh Bros. Office Equipment 602 526-2818
Glendale Walsh Bros. Office Equipment 602 931-4313
Lake Havasu Parks Business Equipment 602 855-8081
Phoenix Walsh Bros. Office Equipment 602 244-9721
Prescott Seitz Business Equipment 602 445-6292
Tucson Walsh Bros. Office Equipment 602 623-5446

CALIFORNIA

Angels Camp Calaveras Office Supply 209 736-2240
Artesia Artesia Calculator Service 213 860-2439
Barstow Barstow Stationers 714 256-2161
Beverly Hills Business Equipment Center 213 272-0697
Bishop Bishop Typewriter Company 714 873-5773
Burney Hughes Print. & Office Supply 916 335-4596
Canyon Country Commercial Office Suppliers 805 252-6622
El Centro Crossland Office Supplies 714 352-4645
Fresno Roy's Office Equipment Center 209 485 0751
Grand Terrace P.E.C., Ltd. 714 825-6821
Indio Indio Cash Register 714 347-1500
Inglewood Quality Business Machine Co. 213 671-0075
Lancaster Desert Office Equipment 805 942-8466
Lompoc Stateside Office Supply 805 736-1231
Long Beach California Calculator Co. 213 422-1291
Los Angeles Angelus Typewriter Company 213 385-7433
Los Angeles Astro Office Products 213 487-3410
Los Angeles Business Machines Unlimited 213 559-7840
Los Angeles Cassidy, Cence & Marshall 213 627-5491
Los Angeles Westfail Office Equipment 213 385-0021
Merced Davis Typewriter Company 209 723-2929
Modesto L. M. Morris Company 209 529-3610
Mountain View Business Equipment Company 415 969-2666
Napa Allied Business Systems 415 444-6383
Oakland Allied Business Systems 415 444-6383
Pasadena Business Machines & Equip. Co. 213 796 5311
Pomona Cook-Arthur, Inc. 714 629-7630
Redding Cascade Office Machines 916 241-7921
Sacramento Central Office Equipment 916 447-4853
Sacramento Golden State Business Systems 916 441-2917
Salinas Dunn's Office Equipment 408 424-4861
San Diego Cash Lewis Company 714 582-2055
San Diego Pacific Data Systems 714 292-4741
San Diego Remco Business Products, Inc. 714 571 1737
San Francisco Business Equipment Company 415 392-1005
San Jose B. E. Downes & Associates 408 996-1271
San Luis Obispo Dick's Office Machines 805 543-7651
Santa Barbara Ayaya Business Equipment Co. 805 682-2338
Santa Rosa Sampson Typewriter Company 707 542-1838
Shafter Shafer Office Supply 805 746 3077
Stockton Turner Business Machines 209 951-7272
Wasco Shafer Office Supply 805 758 6441
Yreka Top Office Products 916 842 1750
Yuba City Mid Valley Office Machines 916 673-7896

COLORADO

Boulder Western Office Supply 303 442-4707
Colorado Springs Louden Office Machines 303 473-1118
Cortez Patterson Office Equipment 303 565-3363
Craig Tip Top Type Shop 303 672-3144
Craig Courier Office Supply 303 824-6531
Denver Independent Service, Inc. 303 744-7071
Fort Collins Belcher Office Supply 303 221-3894
Greeley Bachman's, Inc. 303 352-7503
Greeley Nelson Office Supply 303 353-0246
LaJunta Gobin's 303 384-4761
Lamar Gobin's 303 336-4727
Loveland Belcher Office Supply 303 667-4121
Rocky Ford Gobin's 303 254-3055
Salida Mountain Mail 303 529-6691
Steamboat Springs Tip Top Type Shop 303 879-0225

HAWAII

Hilo Office Things, Inc. 808 935-5401
Honolulu Office Things, Inc. 808 524-0220
Kahului Office Things, Inc. 808 877-7331

IDAHO

Boise A-1 Business Machines 208 345-0054
Kellog Panhandle Office Supply 208 786-9101
Pocatello Intermountain Business Systems 208 233-3812
Twin Falls Snyder's Office Equipment 208 733-7075

NEVADA

Las Vegas Quality Business Equipment 702 386-0072
Reno Siri Business Machines 702 323-3079

NEW MEXICO

Alamogordo The Ink Well 505 437-7300
Albuquerque American Computing & Electronics 505 265-9535
Farmington Office Supply & Service Co. 505 325-5027
Gallup Gallup Blue Print 505 863-9396
Hobbs I Got It Business Machines 505 393 3676
Las Cruces Office Machines & Service 505 523 7406
Lovington The Office Center 505 396 3621
Portales The Office Center 505 356-4477
Roswell John Office Supply 505 622 1251
Santa Fe Southwest Business Systems 505 982 4224
Silver City Pete's Business Machines 505 538 9721

OREGON

Burns Burns Office & Art Supply 503 573-2231
Coos Bay Frank's Office Equipment 503 269-9383
Eugene Oregon Typewriter & Recorder 503 342 2463
Medford Valley Office Equipment 503 779 4000
Newport Kangiser Office Supply 503 265-5571
Portland Oregon Typewriter & Recorder 503 224-2141
Roseburg Roen's Office Equipment, Inc. 503 672 6768
Salem Oregon Typewriter & Recorder 503 364 3344
The Dalles Craig Office Supply 503 296 3969

UTAH

Moab Spencer's Printing & Stationery 801 259-5735
Ogden Intermountain Office Equipment 801 399 5826
Provo Lloyd's Typewriter Company 801 374-0725
Salt Lake City All Makes Typewriter Company 801 328-4941

WASHINGTON

Bellingham Blackburn Office Equipment 206 733 7660
Clarkston Hohman Business Machines, Inc. 509 758-8165
College Place Color Press 509 525-6030
Everett Alpine Office Equipment 206 252-4164
Longview Aroa Office Products 206 636-5924
Pasco Basin Typewriter Company 509 547 8896
Seattle Acme Office Machine Service Co 206 633 3355
Spokane ABC Office Equipment Co. 509 489-4444
Tacoma Calculators Unlimited, Inc. 206 572-5678
Wenatchee Nelson Office Machines, Inc 509 663-1649
Yakima Sig's Office Machines 509 248-6550

WYOMING

Cheyenne Frontier Office Supply 307 634-7311
Lander Marv's Office Equipment 307 332-9763
Sheridan Top Typewriter 307 672-3144

Where quality is the constant factor.

Canon® Electronic Calculators

Canon USA, Inc., 10 Nevada Drive, Lake Success, New York 11042
Canon USA, Inc., 140 Industrial Drive, Elmhurst, Illinois 60126
Canon USA, Inc., 123 Paularino Avenue East, Costa Mesa, California 92626

You can't judge a book by its cover; neither can you judge a company by a couple of annual reports.

Continental Oil: a time for sowing, a time for reaping

By James Flanigan

CONTINENTAL OIL CO. Chairman Howard W. Blauvelt, 62, takes early retirement this year after only five years as chief executive, to be succeeded by President Ralph E. Bailey. There is about Blauvelt these days an air of the biblical steward rendering accounts to a stern master. "The company is in the strongest financial position it has ever been," he says proudly, the result of the strict financial discipline and lower debt ratios he brought Conoco.

All true, but it is also true that over the past few years Conoco has disappointed its followers, who expected continued great things from the company Leonard F. McCollum built from a $200-million-a-year regional outfit into a $2.4 billion sales-and-assets global company. By now Conoco's sales have grown to $9.9 billion, but its earnings since 1974 have barely kept pace with inflation. Last year's $4.20 a share was actually a few pennies less than Conoco earned two years ago, and would have been lower had it not sold some coal lands.

The glory days of the 104-year-old company were those of Leonard F. McCollum, a legendary oilman who ran Conoco from 1948 to 1968, and retired in 1972. To him are attributed the bold strokes that built the promise of Conoco: the moves overseas, the 1966 merger with Consolidation Coal. Promise feeds on promise, and there has existed ever since the belief that Conoco was capable of the startling move.

Blauvelt's critics, who include former Conoco employees—most of them quite senior executives—and security analysts, attribute the slowdown to what they call his excessive caution.

Is that a fair evaluation of Blauvelt's stewardship? On the surface, maybe, but a great deal of evidence suggests that Blauvelt's seeming caution is more style than content, and that the earnings slowdown was a result of circumstances beyond his control. A good case can made that Blauvelt, far from lacking d ing, has in fact beautifully positioned company for the future by pouring over $5 billion in capital investme and cash exploration expenses for Co co's oil, coal and chemical operatio That includes his 1979 budget—a c $1.3 billion to $1.5 billion. The gra total equals all the money laid out Conoco in the 14 years before Blauv became its chief executive.

Outgoing Conoco Chairman Blauvelt

Incoming CEO Ralph E. Bailey

Conoco grows and consolidates by turns. Blauvelt has invested in properties left by McCollum. Will Bailey, a coal man, expand on Blauvelt's base?

While doing that he managed to red the company's total debt to 32% of c italization from close to 40% five ye ago. He shook up Conoco personally bringing to heel its old Houston-ba North American petroleum operation group that had become near-autonom because it traditionally produced t thirds and more of the company's c solidated earnings. U.S. oil and gas s provide half of Conoco's earnings, Blauvelt reorganized the division.

He fired two vice chairmen in 19 another quit in 1977. An executive v president, a senior vice president two other vice presidents also left cause they preferred the company's decentralized way to Blauvelt's cent ized style of management.

The publicized departures of sen men have given Conoco a recent repu tion for management squabbling. that period is now ended. Out-of-co settlements have been reached with two ousted vice chairmen, and How Blauvelt himself is leaving, some th actually because he believes his own p sonality might get in the way of reorganized company fulfilling the pr ise that was always inherent in a siza oil company working in harness wit large coal company.

New York-born and Yale-educat Blauvelt is not a good old boy like m men in the Southwest's best-known dustry. Blauvelt started with Conoc an assistant controller in Ponca C Okla., and the oilmen's reference to h through the years is evident in the v he recoils from the word "accounta today. "I'm a manager, not an acco tant," says Blauvelt. "Look at any company. Their management will h been selected for qualities other t what got them their start."

He disdains the faint praise that e his critics grant him. "Howard Blau has brought financial discipline to C oco," they concede. That's rather saying of a plain girl: ". . . but she's g nice personality."

"Financial discipline and managem control are essential for a great c pany," answers Blauvelt, leaning the splendid Chinese-inlay coffee t in his Stamford, Conn. office for emp sis. "But you can't built a great comp with those alone. You also need gro You need to put some investment in.

WE KEEP THINGS MOVING IN ARGENTINA.

This country faced a tough economic problem—improving its critical trade balance. And we felt a particularly strong interest in helping; after all, Buenos Aires was our first overseas branch, dating back to 1917.

So in 1969 we founded an Export School which has already trained 5,000 Argentine executives. Now the nation's products are kept moving through the ports, contributing towards a positive trade balance. And those products are more and more often non-traditional—the result of modern technology. (Our educational program has brought us several awards from Argentina's Government for contributing to the economy.)

Bank of Boston has never felt that we're simply "open for business" in the 40 countries where we're located. We've always felt a strong obligation to work with them. And tough financial problems are right down our alley: we have more than 10,000 people around the world ready to tackle them and more than $2 billion currently committed to overseas lending. In the U.S. itself we have full-service facilities (Bank of Boston International) in New York, Los Angeles, and Miami—as well as our headquarters staff in Boston who specialize in financing, factoring, leasing, foreign exchange and all related services.

Where in the world can we tackle the next tough project for your company?

BANK OF BOSTON 1784

THE FIRST NATIONAL BANK OF BOSTON

WE TACKLE THE TOUGH ONES.

WORLD HEADQUARTERS: **100 FEDERAL STREET, BOSTON, MASS.** OTHER U.S. FACILITIES IN **NEW YORK, MIAMI, LOS ANGELES.** OVERSEAS FACILITIES IN **ARGENTINA:** AVELLANEDA, BUENOS AIRES, ROSARIO **AUSTRALIA:** MELBOURNE, SYDNEY **BAHAMAS:** NASSAU **BOLIVIA:** LA PAZ, SANTA CRUZ **BRAZIL:** BRASILIA, CAMPINAS, PORTO ALEGRE, RIO DE JANEIRO, SAO PAULO **CHANNEL ISLANDS:** GUERNSEY **DOMINICAN REPUBLIC:** SANTO DOMINGO **FRANCE:** PARIS **GERMANY:** FRANKFURT, HAMBURG **GUATEMALA:** GUATEMALA CITY **HAITI:** PORT-AU-PRINCE **HONG KONG. IRAN:** TEHRAN **JAPAN:** TOKYO **LEBANON:** BEIRUT **LUXEMBOURG:** LUXEMBOURG CITY **MEXICO:** MEXICO CITY **PANAMA:** PANAMA CITY **SINGAPORE. SPAIN:** MADRID **UNITED KINGDOM:** LONDON **URUGUAY:** MONTEVIDEO **VENEZUELA:** CARACAS

CR

A crash project in ou

Case roll-over test 1370

Testing. Testing. Testing of c
plete vehicles and component
a part of our **Commitment to Q**
ity program at Case. Hundred
separate examinations may
conducted before a produc
marketed (the picture seque
above records a test of cab st
ture safety in one of our tracto
Testing is one aspect of a pe
sive quality control program rea
ing into every level of operat

UNCH

Commitment to Quality.

agement, engineering, manu-
ring, sales, service. And it's
ing.

neers are more interested in
quality of their work, assem-
are more careful, inspectors
critical of each item checked.
e sure it's right . . . check it!

Commitment to Quality is
bolized by the mark which
ars at the left and, next to the
Case, Drott and Davis logos, it's the most prominent symbol displayed at our facilities these days. It's posted in offices and production facilities, worn by managers and assembly-line employees. Doing something about production excellence is one reason why Case is one of the world leaders in the manufacture and distribution of machinery for construction and farming.

For a comprehensive new brochure about J I Case, its total operations and product lines, write: Communications and Public Affairs, J I Case Co., Dept.FCR3, 700 State Street, Racine, Wisconsin 53404.

J I Case
A Tenneco Company

TENNECO

doing something about it.

case

Crazy over Lindy. Mad about Amelia.

We were, too. While tickertape and cheering crowds followed the pioneers of American flight, Avco founded the corporation that became a cornerstone of the aviation industry. A leader in the design and manufacture of aerostructures and aircraft engines. And the research facility that helped bring Apollo Command Modules safely through the earth's burning atmosphere.

Rugged individuals capture the imagination of the world. At Avco, we harness that pioneering spirit and put it to work for us all. Assembling the world's largest data acquisition system. Developing high energy lasers that may create another industrial revolution. Building the world's third largest international consumer finance company. To help everyday people give wings to their dreams.

Leading the way for fifty years. From aerospace to financial services, from research to manufacturing. Where Avco leads, confidence follows.

Today, the new L-1011 TriStar commercial jet transport flies with wings from Avco Aerostructures.

AVCO CORPORATION

Where Avco leads, confidence follows.

/hy has all Blauvelt's investment
d so far to produce better results on
income statement? Essentially be-
se the political environment for the
nd coal industries has turned so hos-
nobody really foresaw this, that the
ıstry would become the scapegoat for
.C's extortion. Nor did many people
see that coal, the logical replacement
ıow costly oil, would be stalled by
tical and labor problems. Howard
velt's problems were external more
they were internal.
egin with coal, where Conoco is now
argest U.S. producer in revenues:
ontinental got its first major earn-
, $142 million, from the 1966 Con-
lation Coal merger in 1975, when
production payment that had fi-
ed the acquisition ended. Anticipa-
ran high at Conoco that coal would
ribute as much to earnings as U.S.
oleum operations. But coal did not
e through. After a very good year in
5—$174.6 million, or 38% of Cono-
earnings—the United Mine Workers
a job on Consol's profitability. In
3's strike-bound first quarter, when
sol lost $52 million. Moreover, the
allurgical coal markets have col-
ed with the worldwide slowdown in
production. Met coal in good years
ght in close to 25% of coal profits on
10% of coal production.
aught between the unions and the
rnment's confused policies, Conoco
begun to sell coal reserves in the
nd. The company gained $47.8 mil-
from such sales in 1978, or 50% of
oal earnings. With 200 years of re-
es, that's a policy of taking the cer-
dollar today. Consol has scrapped a
to double its 50-million-ton capac-
ut plans a 50% increase by 1985.
oil, Continental, true to its reputa-
for daring, jumped into the North
with both feet. It was a logical
e—but it underestimated the near-
dal drift to socialism of the British
rnment. Having lured the big inter-
onals into the North Sea because it
ed their knowhow, the British gov-
nent proceeded to deprive them of
t of the promised profit. Conoco,
ve in the North Sea from the area's
beginnings, was a member of the
overy group in three promising oil-
s in the 1970s—12% of Dunlin in
British sector, 33% of Murchison in
British sector and 10% in the Norwe-
sector, and 12.6% of the giant Stat-
field which lies mostly in Norwe-
waters. The investment initially an-
ated to develop these properties was
e $600 million. The anticipated re-
on investment, based on the experi-
of the area's first developers like
sh Petroleum, was on the order of
, maybe even 40%. But delays, ruin-
inflation and shifting but always
t-denying government attitudes
both in Norway and Britain have ballooned the size of the investment and reduced the possible returns. Conoco now faces total investment of perhaps $1.5 billion to develop its properties. The returns have been not so much reduced as shattered. The respected Edinburgh investment firm of Wood, Mackenzie now calculates that the real, discounted rate of return for the Conoco fields will be: Dunlin (smallest of the three) 19.5%; Murchison 12.5% in the British sector, 10.5% in the Norwegian; Statfjord 13.3% Norwegian sector, 14.1% British.

On a smaller scale, the Baltimore Canyon has been a big disappointment for everyone. Conoco laid out $59 million in 1976 for its leases in the area. It amortizes such outlays at 20% a year, but last December it took an additional $15.5 million writeoff of its investment in the

Former spirit of Conoco, Leonard McCollum
A nose for oil, and for growth.

Baltimore Canyon, reflecting almost the final abandonment of hope.

Given all these disappointments, it is a tribute to Blauvelt that Conoco has done as well as it has. What his critics overlook is that even if the political atmosphere does not improve, Conoco is virtually guaranteed better earnings growth in the years just ahead. Blauvelt talks of annual increases in the 10% to 17% range in the first few years of his successor's regime. If Blauvelt is correct, Conoco could easily be earning in the $8-to-$9-a-share range by 1985—assuming no great increase in the world inflation rate. It would have regained the stride it apparently lost in the mid-Seventies.

Where are these gains coming from? Disappointment or no, the North Sea should add about $1 a share to earnings by 1982 as well as supply Conoco with crude oil it will need to replace declines in U.S. production.

Coal is, of course, unpredictable, but all the logic points to major improvements—it is difficult to deal with, but probably less so than Khomeini. Talk of Iran-caused oil shortages could mean that coal will again sell against residual oil on a Btu basis, thinks Wall Street oil expert Joseph Tovey of Tovey & Co. Residual today sells at $2.55 per million Btus and coal at $1.40 and less for the equivalent energy. Thus coal prices could just about double and still be competitive. Consol is using bonuses and slurry pipeline knowhow to increase productivity at some of its mines. By one new underground method it can get productivity back up to 14 tons per man/day from 8 tons in recent years.

Conoco is going ahead full tilt on an $800 million joint venture with Monsanto in chemicals. The project will enlarge Conoco's production of ethylene, from which the company plans to expand greatly its position in plastics and other petrochemicals.

Conoco has a relatively small but highly profitable niche in the chemical industry. It is the nation's largest producer of the raw material alkylbenzene, which goes into detergents, and it holds a fourth place in the production of polyvinyl chloride, a leading plastic. It earned $61.3 million in chemicals last year, for a neat 19% return on its investment. That helped keep its overall return on equity at a respectable 15.8% in the coal-strike year. When the joint deal with Monsanto comes on stream, chemical earnings should show a good increase.

Once profits begin their upward march again, Conoco will be in a position not only to raise its rather conservative dividend—which is still only about one-third of earnings—but to make substantial new investments as well. In the past, there would have been no question about where the money would have gone—into oil. But the experience in the North Sea and elsewhere has not been encouraging. "If the political environment were conducive to developing energy," says Blauvelt, "we would have an excellent portfolio of things to invest in." The clear implication is that Conoco wants something big *outside* the energy field.

But Blauvelt also makes it clear that the time for acquisitions will be after his retirement. He has no intention of using Conoco stock for acquisitions when it sells for only seven times earnings and at only a modest premium over book value. Nor is he willing to make acquisitions with borrowed money if it means undoing the progress he has made in rendering Conoco virtually impregnable from a financial point of view. No, Conoco should wait, he feels, until it can base acquisitions on its growing cash flow.

Has Howard Blauvelt been a safety-first boss of a once-venturesome company? Hardly. It's simply that he's the kind of man who is willing to do things for which his successor will get the credit. In many ways he is the kind of chief executive that most stockholders should pray to get. ■

THE GOVERNMENT OF IRELAND
ANNOUNCES A NEW DEAL
FOR MANUFACTURING INDUSTRY

No tax until 1990 then a maximum of 10% for the rest of this century

There has never been a better time to come to Ireland.

The current Irish tax system, with its export sales relief scheme, enables manufacturers to qualify for full exemption from tax on all export sales until 1990.

The Government has now announced a new tax scheme that will come into force on 1 January 1981. This new scheme sets a maximum rate of 10% on corporation tax and will be in force right to the end of this century.

It means that if a company decides to locate in Ireland now, they will be in the advantageous position of not paying any tax until 1990 on export sales – and then, under the new scheme paying just 10% on all profits until 31 December 2000.

It's a unique opportunity...

For full details contact the IDA – Industrial Development Authority, Ireland at 200 Park Avenue, New York NY 10017 telephone (212) 972-1000.

Act now and get the maximum benefit

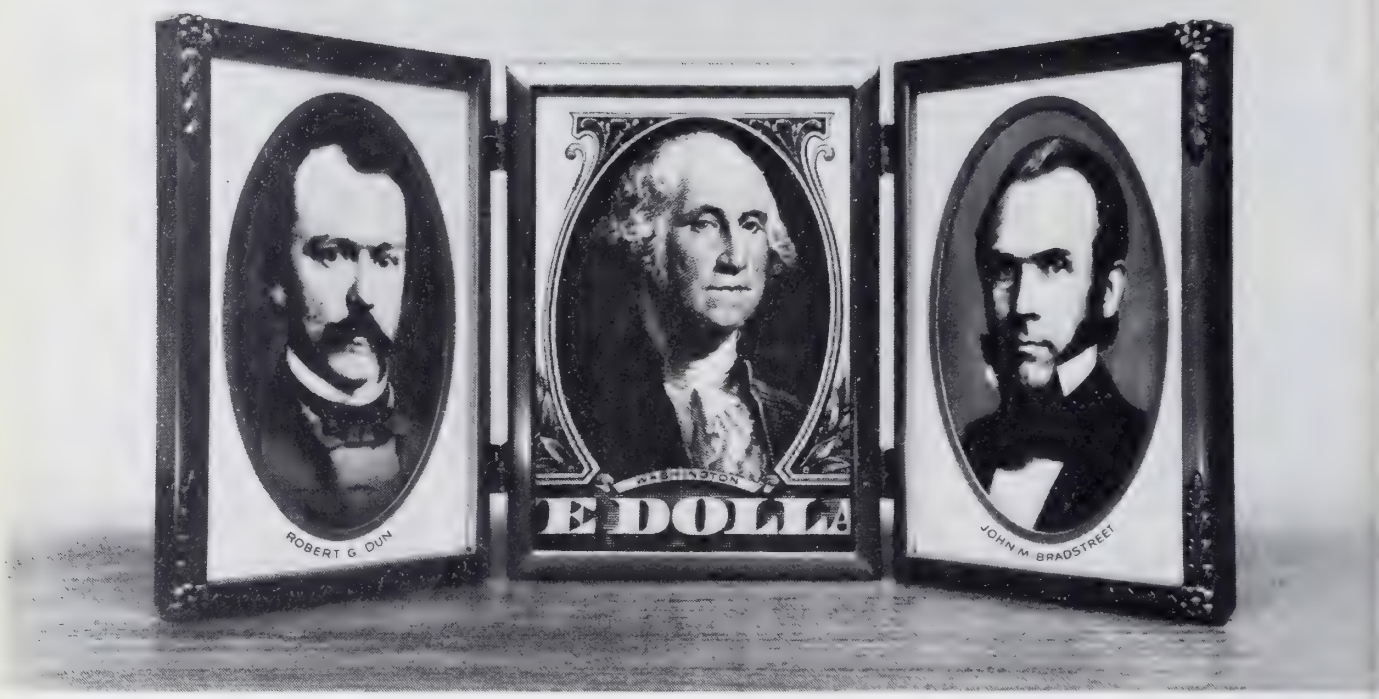
REPUBLIC OF IRELAND

The most profitable industrial location in Europe.

The Industrial Development Authority, Ireland also have offices in Chicago, Houston, Los Angeles, Toronto, Dublin, Amsterdam, London, Paris, Cologne, Stuttgart, Copenhagen, Milan, Tokyo and Sydney.

announcement is published by IDA Ireland, 200 Park Avenue, New York, 10017, which is registered under the Foreign Agents Registration Acts, as amended, as an agent of the Government of Ireland. This ial is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of the contents by the United States Government

Every good credit executive deserves two things: a raise and Dun & Bradstreet.



Dun & Bradstreet?

Yes. Because, when a profession is responsible for 9 out of every 10 business transactions—and contributes directly to profits—its members deserve to be rewarded. And they deserve the right tools to get the job done.

Dun & Bradstreet. The business world's number one source of commercial credit information.

Only D&B arms credit managers with complete information on 5,000,000 companies worldwide. Up-to-date information, so credit can alert sales to changing situations among customers. Growth patterns that can steer a sales force to new profit opportunities.

Most importantly, complete credit reports from D&B can help credit managers increase net profits by reducing the average collection period of receivables.

For a concern earning 5% net on an annual volume of $25-million, it would require $685,000 in additional sales to equal what a credit manager can earn the company by collecting receivables 10 days sooner.

The professional credit manager and Dun & Bradstreet. Together, they're worth their weight in gold.

DUN & BRADSTREET INC.
The essential business™

Other Dun & Bradstreet Companies serving the essential need to know: The Reuben H. Donnelley Corporation • Corinthian Broadcasting Corporation
Dun & Bradstreet International • Technical Publishing Company • Moody's Investors Service • Dun's Marketing Services • Management Consulting Division.

essemer Trust Co. now accepts accounts om small investors, but its *idea of small ay not be the same as yours.*

"Family doctor" for the rich

emer Trust Co. of Florida's James E. Pangburn
rtiers in the drawing room, but tigers with an investment portfolio.

By James O'Hanlon

THE LADY is a real person, ebulliently blond and attractive, though close to 70. Dressed in a flowing blue Givenchy chiffon when this FORBES reporter called on her with the man from her trust company, she made us promise not to use her name, and we won't.

The lady greeted the man from the trust company with a kiss and led the way across sunbathed Italian marble floors into the art-cluttered living room of her $500,000 Palm Beach condominium. She lives alone with two servants, on a $400,000 yearly income from what remains of $10 million left by her second husband. Seated on a wide, silk toile-covered couch amid a dramatic collection of Rothkos, Calders and Louise Nevelsons, she fidgeted nervously with the eyeglasses she had carried away from work she had been doing in her study—charity work, invitations to a gallery opening—and launched into a practiced small-talker's reminiscence of a recent trip to China. When the topic turned to money, she reached along the toile for the reassuring hand of her Saville Row-tailored trust administrator and announced with classic Gotrocks insouciance, "I'm only good at spending it."

"You'll find that there isn't much talk about money among the people who live in Palm Beach," the man from the trust company interjected. He is a slim, 37-year-old Virginia lawyer named Dan Hall, who speaks so softly that the vibrations from his words barely ripple the luxuriating molecules in the room's sun-gilt air.

Helping this well-off widow preserve her principal these days is a more exacting task than ever. People like Dan Hall who practice it, especially along Florida's Gold Coast where it is bad manners to discuss such matters casually, are regarded as a solemn and priestly class. Hall is one of four officers of Bessemer Trust Co. of Florida, which, with two separate corporations, Bessemer, N.A. in New York and Bessemer Trust Co. of New Jersey, make up the current form of what someone once called "the Tiffany of trusts."

In Florida, Bessemer is one—according to some, the best—of an ever-broadening field of law firms, banks and trust companies vying for billions of dollars in estates and wills that have transferred to Florida to take advantage of its tax laws *(see box, p. 85).*

Bessemer was set up in 1907 by steel pioneer Henry Phipps for his family. Its first capital was $5 million from a more than $50 million share of Carnegie Steel's sale to the U.S. Steel Corp. in 1901. Today there are $1.6 billion in assets and 144 Phipps descendants who are Bessemer clients along with 250 outside clients, most taken on since 1974. Ac-

cording to Ogden Mills (Dinny) Phipps, the broad, dynastic-looking 38-year-old chairman of the three trust corporations since 1976, Bessemer decided to take non-Phipps clients to increase its fee base so it could attract the money-managing expertise needed to protect the Phipps family fortune from inflationary attrition. The Florida company now manages about $135 million—more than 95% of it from nonfamily clients taken on since 1974.

In 1977 the three Bessemer corporations had a combined net income of $462,673 on revenues totaling $10.2 million, as executor of wills, investment adviser, trustee and estate custodian—plus about $2 million in intercorporate service fees.

One Phipps descendant, septuagenarian Esmond Martin, has spent an estimated $3 million taking Bessemer into court on charges that the splitting of Bessemer, the outside clients and the service fees are combining to drain the family fortune. His cousin, Chairman Dinny Phipps, waves a cigar to rebut Esmond's allegations. "We have an estate department that is vital to the future of the family. But only one member of the Phipps family died in the last seven years. We can't afford to have top people sitting around in mothballs until the family needs them."

When it aggressively went public, Bessemer recruited John R. Whitmore, 45, as chief, luring him from his job as deputy chief of the trust department at American Security and Trust Co. It brought James E. Pangburn, 48, from the Mellon Bank to run the Florida company. Bessemer also brought in a new investment department headed by Charles W. Hastings, 42, and Michael Page, 51, a former partner of the now-defunct Faulkner, Dawkins & Sullivan, one of Wall Street's best small research firms until it was killed by negotiated commissions.

Perhaps "public" is not quite the right word to describe Bessemer's clientele. Not all of it is as rich as the lady in the blue Givenchy chiffon, but neither does it include many of what you would call small investors—unless, of course, you agree with the Boston money manager who says that "anyone with less than $1 million is a small investor these days."

Pangburn, Bessemer's Florida man, like Whitmore, is just the sort of tall, sonorous, impeccably tailored trust officer you'd want watching the judge's eyebrows at your own probate hearing. "We are looking for clients with more than $1 million," he says. "That way we can offer a lot more individual attention than a client gets at the big northern trusts where one trust officer may have 400 to 500 clients to look after."

At a cost of 1% yearly for the first $1 million in management, 0.6% for the second million and 0.45% thereafter, the

Bessemer Directors John R. Whitmore and Ogden Mills Phipps

After 72 years of minding Henry Phipps' fortune Bessemer wants to mind you

Givenchy-clad lady probably paid Bessemer about $40,750 last year. But then, people like her are accustomed to paying to get what they perceive is the best of everything. Bessemer's nonfamily clients get the same solicitous attention to their needs—from paying household bills to investment management—that Bessemer Trust Co. has lavished on the Phipps family since 1907.

"I can get in touch with Dan just about any time I want to," says the lady in her airy white-on-white living room. "In Chicago the trust company there just used to send me a letter or something."

Each morning the client's portfolio is punched up on the computer terminal from Bessemer's New York office. Usually any cash holdings over $500 are invested. Says the Palm Beach lady, "Last year I had one person doing taxes, other doing household management a another making investments—but body to coordinate it. Now Dan ta care of all of it, I get more money spend and I have more peace of mind.

When she had an automobile accid a few months ago, Hall helped her bu new car. He's found a Washington ins ance brokerage which specializes in Huntington T. Block Insurance Co., insure her $2 million collection of pai ings and sculpture.

How about investment strategy? W Hastings heading a ten-man investm department in New York, and P watching over the Florida portfolios, B semer now keeps about a 60% equiti 40% bonds mix spread throughout portfolios, according to individual nee

"Last Friday in our JetRanger III, we flew to four remote jobsites, wrote a contract at a client's pipe yard, inspected ranch property out at Mt. Palomar and got back to sign the mail by 5 p.m.."

ARTHUR VOSS
Voss International
Los Angeles, California

No matter what your short-range travel requirements are, Bell's 5-place JetRanger III shrinks hours to minutes. Cruising at up to 140 MPH with a range up to 375 miles, you go more places, do more work and spend less non-productive time getting there.

The JetRanger's cool-running 420 SHP C-20B Allison turbine gives you unparalleled dependability, on-line readiness and remarkly low down-time. It can speed you door-to-door faster than any other combination of air and ground transportation within a 350-mile radius. It combines versatility and cost-effectiveness with custom-designed interiors to match your tastes and needs.

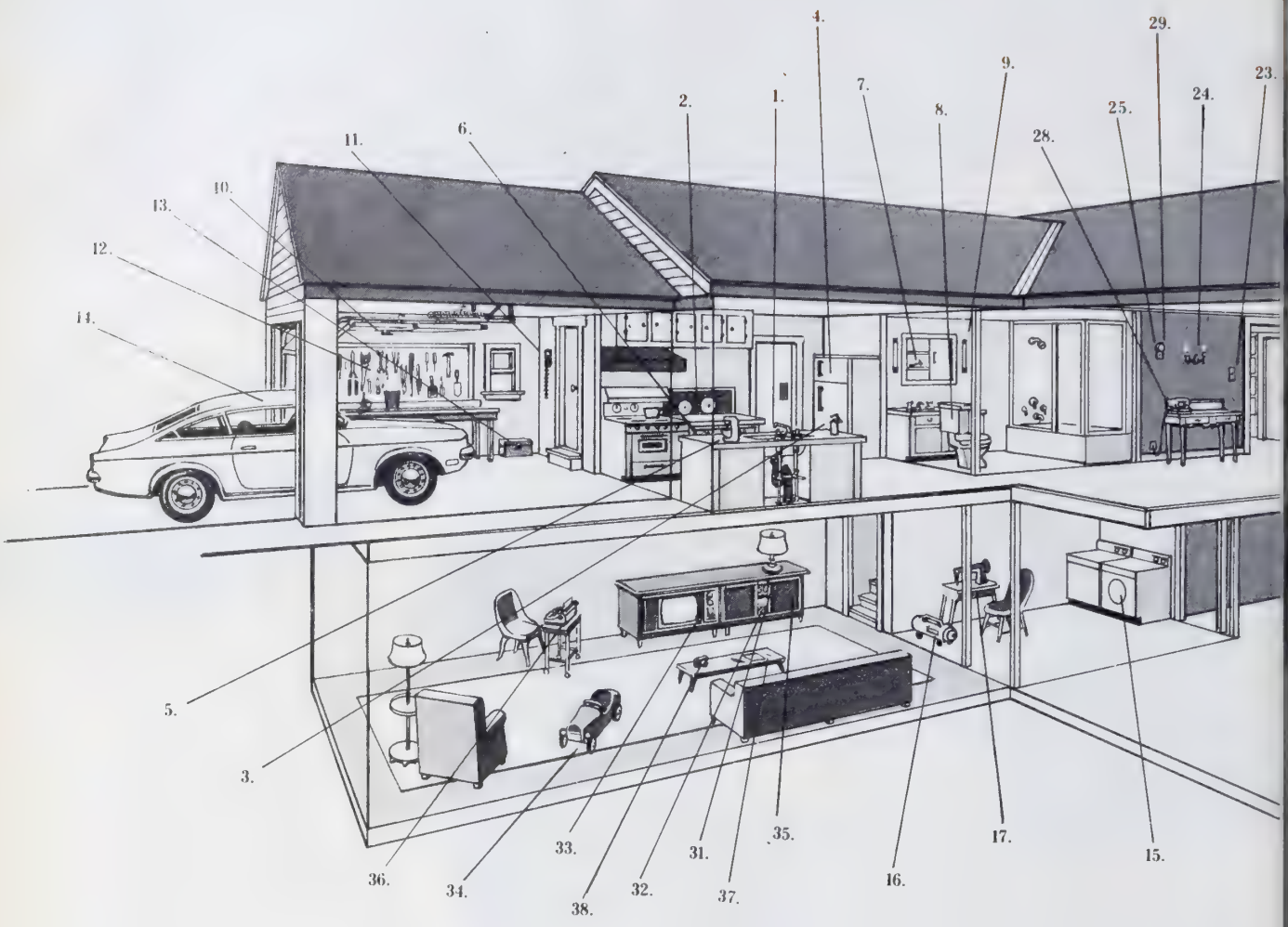
"The JetRanger eliminates driving time to and from the airport and we can land virtually wherever our business is. It allows more involvement in out-of-the-office situations," Voss explained.

Bell JetRanger III . . . backed by the nation's most extensive parts and service network.

LongRanger II 222 Twin

Would you like to see what one can do for you?

For detailed information on Bell's 5-place JetRanger III, 7-place LongRanger II, the new 10-place 222 Executive Twin and for a Bell Helicopter Travel Evaluation Guide called a Rangefinder, contact Dwayne Jose, Vice President, Commercial Marketing, Department 564, Bell Helicopter, P.O. Box 482, Ft. Worth, Texas 76101 or call (817) 280-2117.



A Bodine machine can assembl the house. And save you u

Our business at Bodine is making small-parts assembly machines. And many of the parts and products assembled on these machines can be found in your own home.

If you make small parts, we can tell you how to assemble those small parts faster, better—and for far less than it's costing you now.

Think about it for a moment and you'll quickly see why. Industry today is investing literally millions of dollars in trying to cut material and fabricating costs. Trouble is, there's not much room left to cut.

Where the savings are.

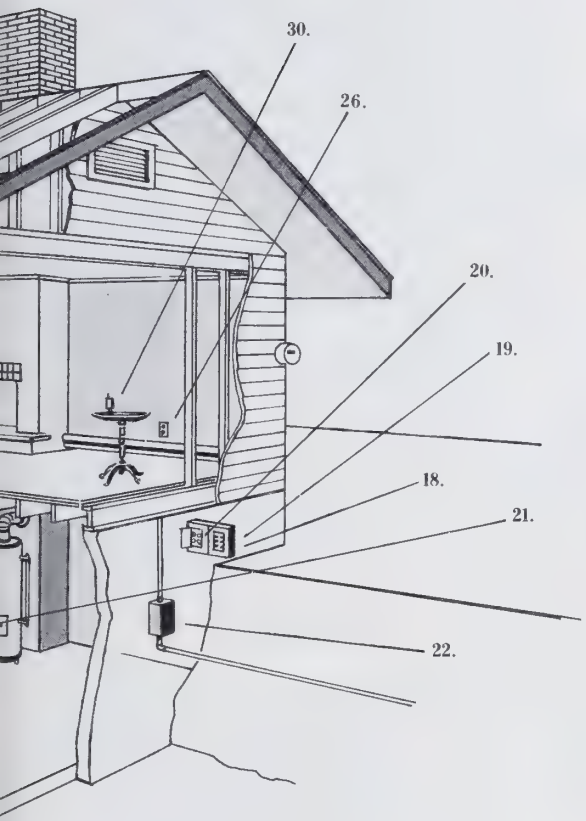
The one place left where you can make really significant cost reductions these days is in assembly. That's where your capital expenditures should be, because that's where you stand to save the most. And that's where we can show you how to save up to 95¢ on every assembly dollar.

We know because we've done it for many of America's most successful companies.

Does that mean we can do the same for you? Not necessarily. But 50 years experience in this business tells us that 6 of ever manufacturers can switch t kind of "selective automation" end up with substantial saving

What kind of savings?

We're not just talking a labor costs although, obvi that is a big consideration. Yo save because your product q will improve. Which means warranty costs will go dow nally, you will be able to inc production substantially witho hassle of costly hiring and tra procedures.



A partial list of components and small products assembled—in whole or in part—on Bodine machines:
1.*Faucets* **2.***Kitchen utensils* **3.***Detergent pumps* **4.***Refrigerator controls* **5.***Appliance motors* **6.***Flashlights* **7.** *Razors* **8.***Toilet valves* **9.***Flourescent sockets* **10.***Garage door locks* **11.***Hedge trimmers* **12.***Hand tools* **13.***Padlocks* **14.***Over 50 components for cars* **15.***Washing machine controls* **16.***Vacuum cleaner cord reel sets* **17.***Sewing machine components* **18.***Service boxes* **19.***Circuit breakers* **20.***Fuses* **21.***Furnace controls* **22.***Water meters* **23.***Light switches* **24.***Light sockets* **25.***Thermostats* **26.***Duplex receptacles* **27.***Door knobs* **28.***Telephone components* **29.***Air conditioning controls* **30.***Cigarette lighters* **31.***Radio components* **32.***Stereo cartridges* **33.***Television controls* **34.***Toys* **35.***Tape cassettes* **36.***Typewriter components* **37.***Pens* **38.***Cameras*

.st about anything around 95¢ on every assembly dollar.

probability, the machine will or itself within a year.
y important: Bodine makes nly assembly machines that e re-tooled for design changes en different products. You can ay units. Or take them away. ou can re-tool with "off-the- accessories. Bodine makes nly truly universal assembly ne. It will be working for you ong time.

eal with men at the top.
nething else you should know remember. In our shop, the head men take personal charge of your installation. They're the people who conceived the modern Bodine idea and built the Bodine reputation. In brief, you will be getting all the attention you need from the best there is.

How long will it take to start up? In far less time than you would think possible. We promise you will not lose a lot of productive hours on de-bugging—because your machine will already be de-bugged by the time it arrives. This is true no matter what business you're in —from the simplest controls to the most sophisticated electronic components.

What do you do now?
Write Frank Riley, Vice President, The Bodine Corp., 317 Mountain Grove Street, Bridgeport, Conn. 06605. Or phone (203) 334-3107 and ask for Mr. Riley. And make that call collect. We want to help you start saving money right away.

Bodine

There are no easy answers to the worldwide energy problem. But one fact is obvious: any long-term solution will require massive and imaginative investment.

Canadian Imperial Bank of Commerce – over $38 billion (Canadian) strong – has been involved in worldwide energy development for years. And we are stepping up our involvement.

We participated in the formation of the International Energy Bank, whose shareholders and associates have combined assets of over $200 billion. This bank's purpose is to finance energy development worldwide, beginning with the North Sea. It's a sound idea. But it's only one of many which we are considering.

We have evaluated energy proposals ranging from nuclear power plants to hydro-electric complexes, from Norway to the Near East. As 'The Ideas Bank,' good ideas are our stock in trade. So if you have an idea in the energy business, call your nearest Canadian Imperial Bank of Commerce office.

CANADIAN IMPERIAL
BANK OF COMMERCE

Head Office – Commerce Court, Toronto M5L 1A2, Canada New York Agency 22 William St., N.Y. 10005 • (212) 825-7000
Over 1,700 branches in Canada, branches or banking offices in major business centres worldwide

e of our $30 million common stock s recently came out in the top 10% n A.G. Becker survey," says Has- . "We're good pickers." Good, but observers would add not sensation- That's appropriate too—among the rich, preservation of capital is the ning, not profits.

ssemer looks for stocks of compa- that have a high return on equity a high current yield. Accordingly it tains a large commitment to IBM, Hastings says he has gotten a lot of age out of regional banks like United of Colorado and First Alabama Corp., as well as from insurance agencies such as Frank B. Hall, Inc. and Rollins Burdick Hunter Co. Says Page, "Recently we have been buying Mesabi Trust because the price of the iron ore pellets it produces is closely related to the wholesale price index."

"About 80% of our security portfolio is invested in 40 companies," says Hastings. "We make sure our analysts go out and see every one for themselves before we buy. Before our recent purchase of Pacific Petroleum shares you can bet that we had somebody trudging over the Canadian tundra looking over their drilling operations."

Bessemer also has an analyst to advise clients on real estate deals or private partnerships they may be intent upon. Says John Whitmore, "We don't originate any of these ideas. But if a client insists on getting involved in an oil exploration program, for example, we see to it that he gets the best geological advice available."

One tall, fashionable Palm Beach businessman says he maintains four accounts with Bessemer—two trusts for his children, one for him and his second wife and another "free" account into which he funnels any extra income. Says he, "It's like having a family doctor. They even make house calls."■

The sunny money game

rom Boca Raton to Del Ray Beach, hat stretch of Florida's Atlantic horeline known as the Gold Coast as been more popular than ever in he last five years—thanks to infla- ion and Florida's hospitable tax laws. The Sunshine State has no personal ncome tax save a $1 on $1,000 tax on nost intangible assets, and no estate ax except a "sponge" tax; it absorbs ny portion of an estate's federal eath tax that is deductible for state axes. Combined with the impact of nflation on substantial estates which nay represent a lifetime of work for etired executives and bought-out mall businessmen, the Florida tax reak has lately been attracting a stag- ering number of middle-aged Ameri- ans who might be characterized as millionaires."

Superrich Palm Beach County, for xample, which includes Palm Beach, oca Raton and Lake Worth, has al- nost doubled in population since 970 to an estimated 550,000. As one esident put it, "Children are remind- ng their parents that Florida laws can ave $5 million or $6 million in taxes n a $100 million estate."

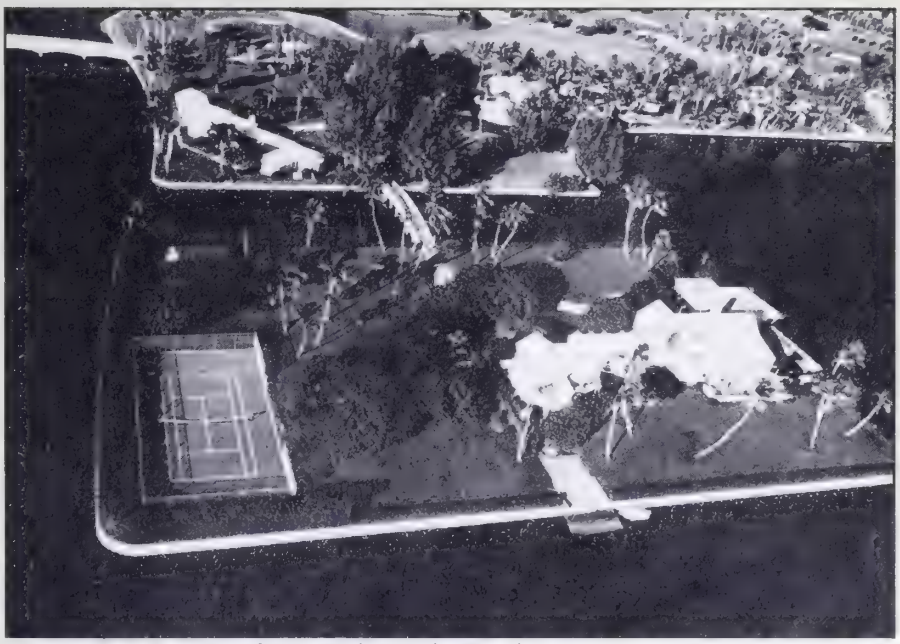
In Palm Beach, unbecoming five- nd six-story apartment houses con- aining $150,000-to-$500,000 condo- niniums are straining the zoning aws between Lake Worth and South Ocean Boulevard. Says one local es- ate lawyer, "There are an incredible umber of retirement residents com- ng in here with $1 million or $2 mil- on. Then you have people with es- ates of eight or ten figures with vaca- on homes here who are switching heir domiciles here also."

It adds up to an atmosphere of in- ense competition among Florida law- ers, banks and trust companies for he management fees on a growing ot of fat portfolios and trusts. North- rn banks and law firms are challeng- ng Florida laws to retain portfolio management for clients moving south. Says one urbane Washington lawyer, who has been estate-minding in Palm Beach for the last two years, "An out-of-state law firm can set up a small office here staffed with a Florida-resident associate and make $200,000 a year for five years on a $100 million estate."

Until recently state banking laws kept northern banks and trust companies from doing trust business among Florida's wealthy "snowbirds." There were two exceptions: Northern Trust Co., by buying Miami-based Securities Trust Co. in 1971, and Bessemer Trust Co. *(see story)* because it incorporated in Florida in 1929 to tend to the needs of Phipps family members then "domiciling" there.

In 1974 the Florida legislature passed an amendment banning out-of-state banks from buying Florida subsidiaries or setting up investment advisory offices for their emigrating clients. But a recent federal district court ruling in favor of a Bankers Trust Co. challenge to the Florida laws appears to have opened the floodgates. Already Bankers Trust, Chemical Bank and U.S. Trust are running "advisory" offices in Palm Beach. And although the court's ruling may be appealed by the state banking commission, the competition should get even more intense. Says one local bank official, "There were 10 or 20 northern banks lined up waiting for that Bankers Trust decision."

Of course, the big northern banks may have a thing or two to learn about doing business in Florida. In places like Palm Beach, where trust officers may have the manners of 18th century courtiers, managing money isn't for every chart-reader with a tweedy suit and a stubby pencil behind his ear. **—J. O'H.**



A luxury mini-estate in fast-crowding Palm Beach
Millionaire snowbirds switching their nests.

Out of the oil crisis a whole new industry is being born. Here are some of its pioneers.

Stretching electricity

By Jean A. Briggs

CAN WE FIND ways to smooth out the peaks and valleys in the demand for electricity, so that calls on generating capacity would be nearly the same all day and all night? It's a worthwhile goal. Doing so, the federal government figures, could cut our demand for oil by the equivalent of 200,000 barrels a day. It would, moreover, save the utility industry at least $10 billion in capital costs, costs which are ultimately passed on to the consumer.

When Richard V. deGrasse, 42, was on Vermont's utility commission during the Arab oil embargo, he became convinced that it is possible to iron out those peaks and valleys. At least he decided to find out. An engineer and former professor, he knew about grants so he applied for and got a $440,000 one from the National Science Foundation and began making studies.

Before long he and a fellow former commissioner, lawyer William A. Gilbert, launched Control Electric Corp. Control Electric imports and sells room-size units that store heat for later use; it also manufactures controls so the units can be used on U.S. electric systems. These units store electrically generated heat during slack hours of use and release it continuously throughout the day. The units are practical whenever a utility charges lower rates for electricity at one time of day than at another. Most U.S. utilities are now doing this on an experimental or voluntary basis.

According to deGrasse: "Our volume has tripled every year since Control Electric got started in late 1975 with $20,000 in venture capital. It is now almost $1 million." Last September AEG-Telefunken of West Germany, the manufacturer of the units, bought 51% of deGrasse's company for a package of trade credits, debentures and cash totaling about $750,000. "We have plenty of capital behind us now," says he.

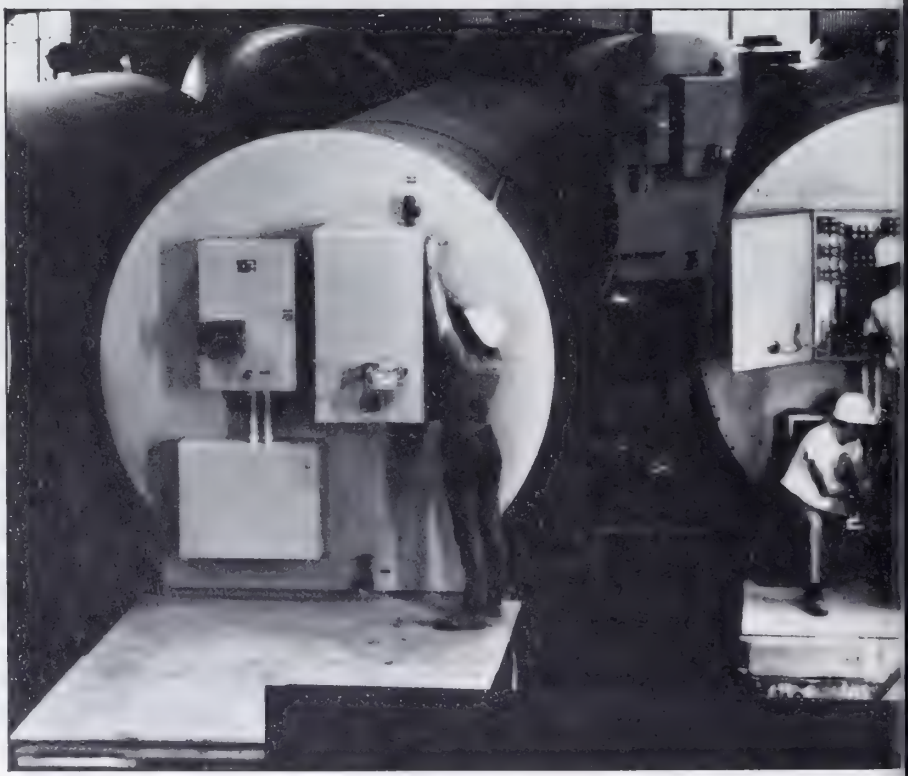
DeGrasse isn't the only one who sensed business opportunity in what the utility industry calls "load management." Load management essentially means trying to get customers to use electricity when it's best for the generating facilities to provide it. When energy was cheap the idea was to provide customers with electricity whenever they might want it. No more.

Charles R. (Pete) Harris of Charlotte, N.C. is another one who sensed opportunity. Harris is a longtime associate of the Bechtler family, which owns Zellweger Uster, Ltd. of Switzerland. He runs the company's U.S. operation, which until recently was primarily involved in supplying equipment to the textile industry. About 1974 Harris became convinced that it would be worthwhile for the pany to begin marketing its load agement equipment here. So Zellw Uster sent Peter Schnieper, a Swiss U.S. citizen, to Charlotte to develo business.

While deGrasse is selling heat st equipment to home owners and mercial establishments, Schniepe selling equipment for *rationing* elec ity to utilities and large apartment b ings. "The Zellweger Uster syste called 'ripple' control," exp Schnieper, "because it operates by ing an extra ripple of low-voltage cu over the power line." What that ripple does is to turn customers' ele cal equipment, typically their air c tioners and heating systems, off a according to whether their syste short of power or in surplus at any t

The two systems illustrate the basic approaches to load managemer storage by the customer when rate low for use when they're high ar control of customer use by the sup Both methods have been used for in Europe where electricity is r wasted the way it is here.

Adoption of these systems won't overnight, however. Dr. William Bl the Electric Power Research Insti the utility industry's research arm sists experiments with load mar ment techniques are just beginning: are some ways away from knowing the right answers are." One proble that time-of-day rates, though w spread, are still being used primaril an experimental or voluntary basis.



Megatherm's heat storage systems
Using electricity off-peak to provide heat for buildings.

SOMETIMES A PRODUCT JUST KEEPS GETTING BETTER AND BETTER.

The Kodak Carousel projector is a good example of such a product. Tried, proved, and improved over time.

It uses gravity to gently drop each slide in place. It's whisper-quiet, too.

It features a curved-field projection lens. For sharp edge-to-edge projection.

It uses the Transvue slide tray that lets you see the number of the slide shown, even in the dark.

It comes in many models. So you can choose just those features you want. Such as remote control. Automatic focus. Even automatic slide changing at timed intervals. And there is a wide variety of accessories made for it. Everything from special-purpose lenses, trays, stack loader to special "presentation aids."

See the Kodak Carousel projectors at your photo dealer's. And enjoy the projector that keeps getting better.

©Eastman Kodak Company, 1979

KODAK CAROUSEL PROJECTORS Kodak

make sense, it turns out, only if, at certain times of day, the utility has surplus generating capacity. Whether or not it does depends not only on variations in demand but also on what kind of capacity the utility has. If it uses mostly coal or nuclear power it is likely to have more power to sell off-peak than if it uses oil. That's because it's usually cheaper to keep a nuclear or coal plant going than it is to shut it down; the opposite is true for oil. Another problem is how costs are figured. Utility rates are usually based on average costs. The problem is to give the customer adequate incentive to use electricity off-peak but still to cover those costs.

A utility can offer different rates for different times of day, of course, only if it can detect *when* a given customer uses electricity as well as how much he uses. That means installing a new kind of meter that will record time of use as well as volume of use.

The meter manufacturers are ready. General Electric was apparently first on the market with an electronic meter that could perform the necessary tricks. But Sangamo, now owned by Schlumberger, wasn't far behind and neither was Westinghouse. The problem here is that time-of-day meters, like GE's best, cost as much as $240 per installation compared with about $23 for a conventional meter. The prices are expected to come down, but that won't prevent wrangling at utility commission hearings over who is going to pay for the new gadget, customer or company.

As far as central control of load is concerned, there's the question of whether a system such as ripple, which communicates one way—from the utility t customer—is adequate, or whether way communication is needed. way communication would also tel utility what's going on at the cust location. "The cost would be more double," says Blair. And, of co there's the question of how custo are going to react when their air c tioners or heating units or washing chines are turned off some afternoo

Despite the drawbacks, the pote market for load management equip is enormous—conservatively $2 bil assuming a large number of reside meters are replaced and a large numb utilities install control. If a large nu of customers buy storage units as w could be twice that. And if red doesn't get in the way, this is a beau way of saving energy. ■

The electricity savers

Listed below are companies already in the business of helping to stretch electricity. Some products give the utility the ability to ration electricity. Some measure when a customer uses it. Others give the customer the ability to store electrically produced heat.

Company	Ownership	Where traded	Product	Function
American Science & Engineering	Public	ASE	ASEP	Controls flow of electricity
Compuguard Corp	Private	—	System 20X and System 20Z	Controls flow of electricity
Control Electric	51%-acquired 1978 by AEG-Telefunken	West Germany	AEG Electrical Storage Heating	Stores electric heat
Darcom	Acquired 1978 by Farinon Corp	ASE	Darcom SCM	Controls flow of electricity
Duncan Electric	Acquired 1976 by Landis & Gyr	Switzerland	Duncan RTDMS meter	Measures when and how much electricity used
General Electric	Public	NYSE	AMRAC	Controls flow of electricity
General Electric	Public	NYSE	IR-70 and IRM-70 meters	Measures when and how much electricity used
Landis & Gyr	Public; controlled by Gyr family	Switzerland	Semagyr 50	Controls flow of electricity
Megatherm	Acquired 1978 by Brunswick Corp	NYSE	ENERGY BANK	Stores electric heat
Motorola	Public	NYSE	Radio Switch	Controls flow of electricity
Plessey	Subsidiary Plessey Co Ltd	NYSE	Rythmatic Ripple Control	Controls flow of electricity
Sangamo Weston	Acquired 1976 by Schlumberger Ltd	NYSE	MTM Multi Tariff Metering	Measures when and how much electricity used
Sangamo Weston	Acquired 1976 by Schlumberger Ltd	NYSE	OPUS	Controls flow of electricity
Scientific-Atlanta	Public	ASE	Load management system	Controls flow of electricity
Siemens Corp	Subsidiary Siemens AG	O-T-C	Permatherm	Stores electric heat
Sigma Instruments	Public	ASE	Fisher Pierce System 2600	Controls flow of electricity
TPI Corp (licensee of CREDA Ltd)	Private	—	Off-Peak	Stores electric heat
Westinghouse Electric	Public	NYSE	ED4-S meter	Measures when and how much electricity used
Westinghouse Electric	Public	NYSE	Automated Distribution System	Controls flow of electricity
Zellweger Uster	Subsidiary Zellweger Uster Ltd	Privately held by Bechtler family	DECABIT	Controls flow of electricity

A Barry Ashton Production in the Crazy Horse Room, Chase-Park Plaza Hotel

Hotels, nightspots, daytime activities, restaurants...you'll find all sorts of fascinating possibilities in St. Louis.

Dine in relaxed elegance, enjoy your favorite melodies in the coziness of a piano bar, or set out for a glittering night on the town. In St. Louis, there are a hundred ways to spend your time after the meetings and seminars.

Let us tell you more about all the choices waiting for you. Call or write John G. Walsh, 7900 Forsyth, St. Louis, Mo. 63105; (314) 889-2813.

Copyright St. Louis County Government 1977

FIDELITY & SURETY
ACCIDENT & HEALTH
HOMEOWNERS
FIRE
BUSINESS INTERRUPTION
RENTAL VALUE
YACHT
AVIATION
FARM EQUIPMENT
LIFE
OCEAN MARINE
OIL RIG

"I'd like you to think of The Continental Corporation as a $7 billion supermarket of insurance."

John B. Ricker, Jr., Chairman and President

"When a company insures everything from 3-bedroom homes to giant tankers, 'supermarket' is the only descriptive word that really fits.

"And it fits The Continental Corporation better than just about anyone else in our industry.

"We're a company with $7 billion in assets. Among all U.S. property and casualty insurers, we stand seventh in premium volume. And we write just about every kind and form of insurance there is. We rank first in ocean marine, second in farmowners, third in allied lines and in inland marine, fifth in fire insurance, homeowners and fidelity, sixth in commercial multi-peril, ninth in automobile and eleventh in workers' compensation.

"Many of our subsidiaries are preeminent in their fields. For example, MOAC is one of the world's largest marine insurance companies. And Swett & Crawford is a leader in specialty coverages for industries as diverse as motion pictures and mining.

"On our shelves, customers can find every kind of policy. Some we invented —like the Comprehensive Business Policy. And Personal Comprehensive Protection, a unique home and auto policy.

"But we're not limited just to insuring insureds. We also insure insurers. Actually, we have the third largest reinsurance operation in the U.S. and the sixth largest in the world.

"Our customers do business with us in a variety of ways—through a network of agents in the U.S., Canada and overseas, through our joint ventures abroad with foreign companies and through part ownership of successful local insurers worldwide.

"So it's no exaggeration to say we're a supermarket. And a profitable one at that. In 1978 we reported record results with operating income rising to $303 million. That's a 21% increase over 1977. What's more, The Continental Corporation has been paying cash dividends without interruption since 1853. And since 1960, we've increased our dividend 14 times.

"So the next time you hear the name 'Continental,' think of The Continental Corporation. The one with the soldier in its logo, and a lot of shareholder benefits in its history."

For our latest financial reports, write The Continental Corporation, Dept. D, 80 Maiden Lane, New York, NY 10038.

THE CONTINENTAL CORPORATION

The Continental that means insurance.

C-E goes to the far corners of the earth to help find and produce oil and gas.

Here, on a sandy bluff overlooking the Gulf of Suez, C-E Natco desalters are processing oil from one of Egypt's offshore oil fields. In fact, C-E Natco equipment plays a part in processing about 25% of the oil and gas the world uses every day.

At other corners of the world, C-E energy specialists and equipment are also at work, helping to search out, develop and use energy resources.

On a remote coastline of Kalimantan, an Indonesian island, stand facilities that produce, process and transport oil from the Handil-Bekapai fields. Starting with feasibility studies and design, energy specialists from C-E Crest provided engineering, procurement, and project management for this challenging multimillion dollar project.

In the North Sea.

Gray Tool, a C-E operating unit, has furnished wellhead equipment for more than 50% of the platforms now installed or scheduled for installation in the harsh operating environment of the North Sea.

C-E Vetco has developed a diverless underwater drilling and production system. Used successfully in the North Sea, it cuts the time between discovery and initial production of offshore oil and gas reserves.

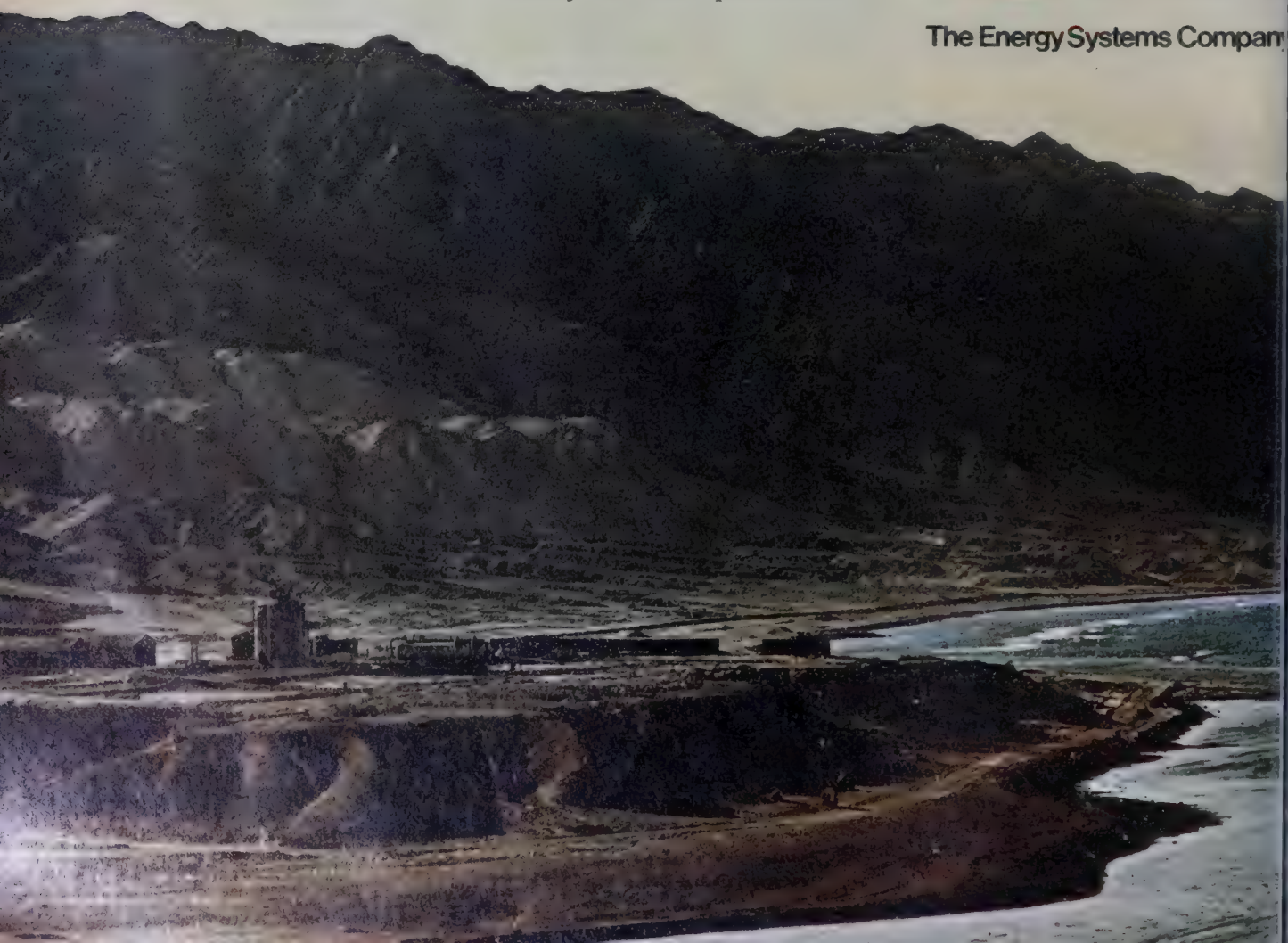
Energy is our business, all over the world.

For more than 65 years, C-E has been a leading supplier of systems, equipment, technology, and research to help develop the world's energy, conserve it, squeeze more uses from it, and clean up after it.

For more about C-E's worldwide activities, write Combustion Engineering, Inc. Dept. 7004-75, 900 Long Ridge Road, Stamford, Connecticut, U.S.A. 06902.

COMBUSTION ENGINEERING

The Energy Systems Company



istinguished economist sees hope for the U.S. economy where others nothing but gloom.

The economy's problem: It doesn't pay to invest

As I See It

THE U.S. have the English disease, n an earlier stage than the U.K. has e we investing too little, consum- much? And is our economy hope- set on a downward spiral? Pessi- abound. And our economists, pre- ied with mathematical models and —mostly vainly—to call the short- fluctuations in the economy, have od answer to this basic question. conomists tend, in fact, to cop out, se to answer profound questions the economic future demands go- yond the currently narrow bounds economics profession and delving istory, sociology, even culture.

W. Arthur Lewis is an economist pproaches his subject from just broad point of view. In his writing ws freely upon other disciplines nows how economic progress can- reduced to simple Keynesian or nanite formulas. Born on the small bean island of St. Lucia and educat- the London School of Economics, rinceton University professor un- nds the problems of the economi- nderdeveloped peoples, but he also that many of their problems are posed—products of their own his- heir own politics, their own cul- rather than entirely the result of itation" from above or from with- or does he share the academic prej- that business is a venal occupa- a prejudice he dismisses as "hu- tic snobbery."

is is now James Madison Professor tical Economy, and his very field, *l* economy, is a throwback to an day when economics was no nar- bject but engaged the philosophers elves. Lewis is little known to the l public but widely respected among scholars and policymakers. His new book, *Growth and Fluctuations, 1870-1913*,* is, despite its dry title, fascinating reading for anyone interested in business or economics.

Does the U.S. have the English disease? Lewis' replies, while hardly complacent, should comfort those who still have faith in U.S. society.

Much of what he says may surprise FORBES readers, who may think we are in the midst of an inflationary boom. Not so, says Lewis, from the long-term point of view we are in a cyclical depression of the kind the U.S. has suffered many times in the past. As evidence he cites: a low savings rate, inadequate corporate profits, a sick stock market and chronic unemployment among skilled workers. Stagflation? It's nothing new, he says.

"The U.S. is not caught in all these traps; it has devalued the dollar and imposed tariffs. It has a high level of capacity to produce new technology and trained people."

Thus, whereas Britain's decline seems to be semi-permanent, he suspects that the U.S. is merely in a cyclical lull. The U.S.' biggest problem, then, is not inflation but too-low economic growth.

Professor Lewis was interviewed for FORBES by Norman Gall, journalist and scholar, a visiting fellow with the Woodrow Wilson School of Public and International Affairs, Princeton University and recipient of a Guggenheim Fellowship. A graduate of New York University, Norman Gall has written articles appearing in *The Economist, Le Monde,* the *Washington Post* and the *Wall Street Journal*.

Gall: Your book explains how Britain exported a great deal of its capital a century ago—rather than investing at home—as the U.S. is doing today. Both have had low domestic investment in relation to GNP. Is history repeating?

Lewis: The U.S. is not, I think, in any long-term situation similar to Britain. The British economy was not able to *use* capital at home. The British capacity to switch from the older techniques of the Industrial Revolution—the cotton industry, the iron industry, etc.—to new products and methods was marred by a lack of technological infrastructure. Therefore, they could not invest profitably at home, so they invested abroad.

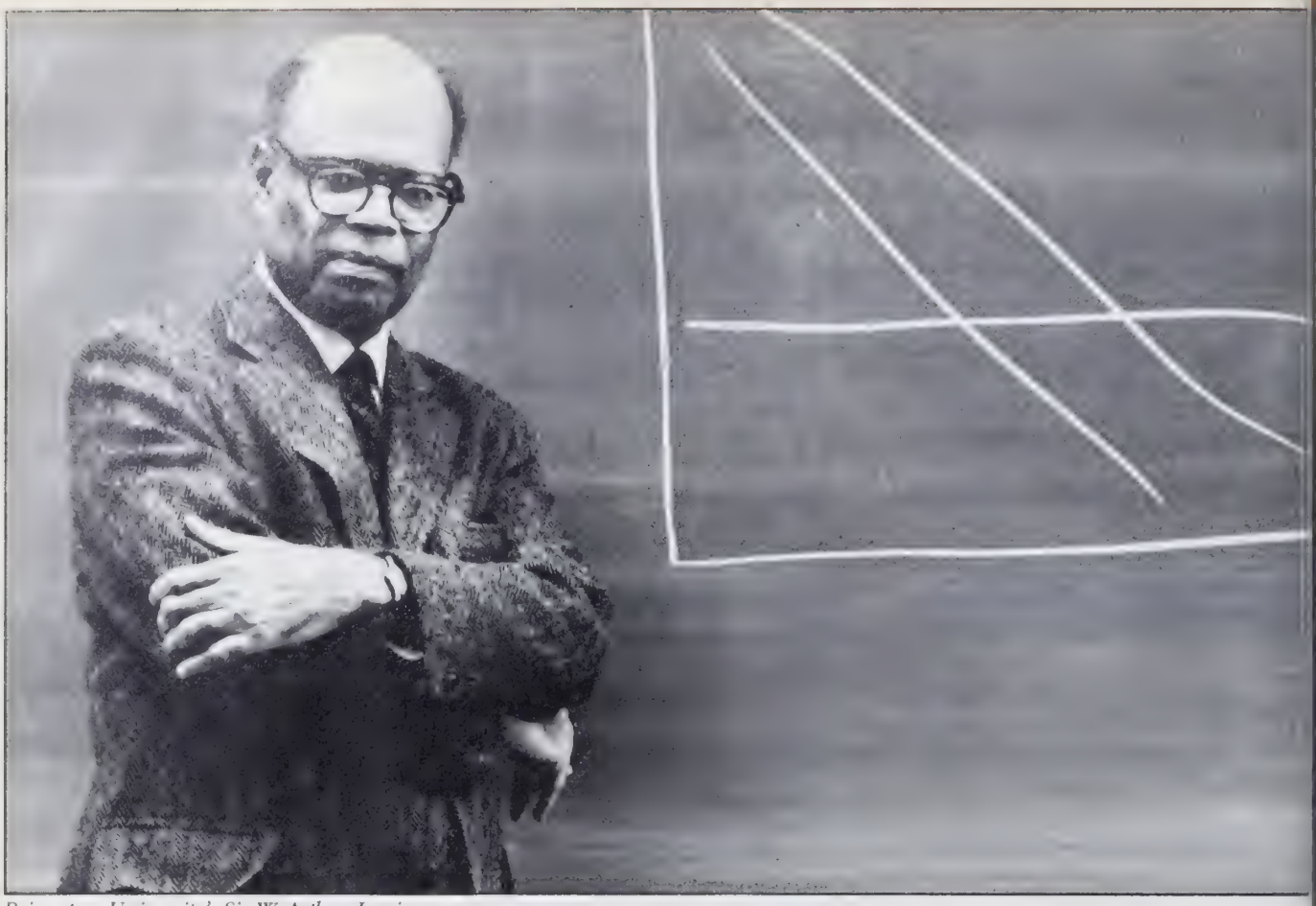
I don't think the U.S. has turned the [downward] corner and is any different from where it was 15 years ago. I'm afraid I'm an old-fashioned economist. I think in terms of business cycles. I see the U.S. at the trough of one of its relatively frequent depressions—depressions which have little to do with long-term growth prospects.

A century ago Britain was caught in a set of ideological traps. All the strategies available to her were blocked off in one way or another. She could not lower costs by cutting wages because of the unions, or switch to the American type of technology because of the slower pace of British workers. She could not reduce her propensity to import by imposing a tariff or by devaluing her currency, or increase her propensity to export by devaluation or by paying export subsidies. She could not pioneer in developing new commodities because this now required a scientific base which did not accord with her humanistic snobbery.

So instead she invested her savings abroad, the economy decelerated, the level of unemployment increased and her young people emigrated.

The U.S. is not caught in all these traps. The U.S. has devalued the dollar and imposed tariffs. It doesn't have the technological problems that the British had. It has a high level of capacity to produce new technology and to produce people trained in using it. At the end of the 19th century, the British were dependent on foreign trade. The economy was

and Boston: George Allen & Unwin, 1978, 336pp.



Princeton University's Sir W. Arthur Lewis
He sees some gloom, but doomsday will have to be postponed.

driven by foreign trade and got into a mess because it couldn't find its way in foreign trade. The U.S. economy is not dependent on foreign trade. It is potentially almost a self-contained economy. Its capacity to grow is not dependent on trade with the rest of the world. Its capacity to grow is dependent upon its own virility, its technological prowess, its savings capability and so on.

The U.S. savings propensity is low now, as you say, compared with times of prosperity. That's always the case. To be doubtful about the U.S., one would have to be doubtful about its capacity to make and exploit technology, doubtful about its entrepreneurship and things like that. I don't know what evidence there is for thinking there is any long-term downward shift in these things.

I don't know the outcome. But I note that a lot of people claim to know the answer. They claim that the answer is unfavorable. That doesn't mean they're right. The American position in the 1980s, like the British position 100 years earlier, depends upon continued innovation. Therefore, I think the crucial question that is being debated, for which we really don't have the data, is where the U.S. stands today in research and development, in patents, in innovation, in the forefront of new technology.

You've no doubt seen some of the statements on how patents have gone down, registration of foreign patents has gone up, share of expenditure on research and development has gone down, etc. The problem is that one has to distinguish between a cyclical recession and a permanent phenomenon. It's not possible in the middle of a long recession like this one, which now has lasted five years, to say whether the unfavorable things that one sees are temporary or long-term phenomena.

Starting with Marx in 1848, every time there has been a recession critics have predicted the imminent collapse of capitalism, just as the early Christians expected the imminent arrival of Judgment Day. Capitalism certainly will pass away; all social and economic systems do. But its capacity to survive great shocks has been thoroughly demonstrated and has to be taken seriously by friend and foe alike.

Gall: For a decade now, some leading commentators have been saying that the future of the industrialized countries will be in knowledge-based industries, while the older, metal-manufacturing industries will be moving to lower cost areas. Do you see this happening?

Lewis: I know where we've come from, but I don't know where we're going. We're coming from a world in which change takes place all the time, especially technological change in which t dustries that have been important to be important. Other industries their places. If you said that the or importance of industries in the U exactly the same as it was 25 year then I would be unhappy. I would there was something wrong. [Bu fact,] there *must* be change taking The question is in the virility system: Is the invention and innov process healthy? Do entrepreneurs worthwhile to invest?

Currently, in the middle of a d sion, we do not want to invest. T symbolized especially by the stoc change. If you build a plant for $1 m and then try to sell it on the stoc change, you get only $800,000 for it. is why nobody invests. If you hav money to invest, you buy into [an ing] business instead of putting m into a new one. That's a sign that in the middle of a depression. But i necessarily a permanent, terminal One distinguished colleague of mine it permanent. He thinks the stoc change has ceased to perform a function. But I think it can be reviv

Talking about invention, it isn't n sary that the U.S. pioneer in innova All that is necessary is that it inve innovation which can be pion somewhere else—Japan or Germa

where like that. It's quite conceiv-
that the seat of industrial innova-
may have moved from the U.S.,
n pioneered a whole set of industrial
ologies after 1880. I see some data
ating that the pace of invention is
more rapid now in Western Europe
in the U.S.
the end of the 19th century, there
whole set of new innovations: the
vriter, electricity, the telephone,
frigerator, the automobile, all these
s. Then Europe had a setback with
l War I and the U.S. went ahead to
op all of them. The U.S. not only
oped them technologically, but
ed that mass production and mar-
g was economically feasible. Every-
could have a telephone. Everybody
have two cars. Everybody could
a refrigerator. Before Europe could
bute all these things to its people,
ad World War II. By the time you
to 1950, Europe was way behind
J.S. in a wide range of things and
devote 20 years to wasting vast
of money in giving everybody a
none and two cars, etc. It may be
Western Europe and Japan are now
rs of innovation, but these innova-
may wind up in the U.S., provided
t is quick to pick up and adapt what
ented elsewhere.
: What about unemployment? Why
so high? Has it to do with all the
en coming into the labor force?
is: The entry of women into the
force puts a pressure on the indus-
system that it has failed to meet
the second half of the 1960s. These
en came into the unskilled labor
et. They came into the poor jobs
they compete with minorities:
s, Puerto Ricans and so forth. What
ve in the U.S. is a labor market that
erstocked with cheap labor, with
e who don't have entrée into the
kind of jobs. That market will
nue to be overstocked until we get
hing like the European situation of
ars ago. At that time industrial pro-
on was rising so fast that it created
ormous demand for skilled labor,
ng people out of unskilled jobs into
r-paying skilled jobs. The Europe-
iquidated their *lumpenproletariat.*
World War II, the working classes
rope joined the mainstream of socie-
r the first time. They were drawn
the jobs that nobody wanted to do
vere given well-paid jobs in indus-
hen, of course, other people were
ht in to replace them—from Yugo-
, Greece, India and the Caribbean.
U.S. needs this to happen, too. It
happening here because there
been this fast rate of increase in
emand for people in good jobs. This
at I mean when I say the U.S. is in a
ssion of the kind we have had fre-
ly in the past.

Annual growth of industrial production of 5% is absolutely vital to the social health of the U.S. [It has averaged only 3% over the past five years.] If the U.S. doesn't have a fast rate of growth of industrial production, and continues to have women pouring into the labor market and more illegal immigration from the Caribbean and Mexico, the levels of unemployment will become very high. The feminist movement will become explosive and the black movement will become explosive. The U.S can't afford to have the kind of economic malaise that people are taking for granted.

Gall: That is essentially the point. Many observers now say that the world's developed economies are condemned to a prolonged period of excess industrial capacity, especially in basic and capital goods industries. To make matters worse, many of America's factories have older machinery and therefore may be less competitive.

Lewis: Well, I come back to the fact that

"The U.S. is essentially a self-sufficient economy. It really doesn't matter to the American economy what is going on in Germany, Japan and all these other places. The American economy could build a wall around itself."

the U.S. is essentially a self-sufficient economy. It really doesn't matter to the American economy what is going on in Germany, Japan and all these other places. The American economy could build a wall around itself, a thick wall. American imports are only 5% of GNP. America is self-sufficient in food. It's self-sufficient in manufactured goods. The only thing it's not self-sufficient in is some kinds of minerals, of which oil is one. It's not the position in which Britain, Germany and Japan find themselves. Japan is entirely dependent on the world outside. The U.S. is not dependent on the world outside.

Gall: But what about oil? The U.S. now imports nearly half its oil. If Soviet influence should spread through Iran and dominate the Persian Gulf, as well as the oil tanker routes around the Horn of Africa, the Russians could cut off the flow of oil supplies to the West. Are you saying that the U.S. is sufficiently autarchic and independent in its economic operations to live through such a crisis?

Lewis: There's a difference. You are talking about military dependence. In military dependence, only one critical item—such as oil—could be missing. But I'm not talking about military dependence. I'm talking about economic dependence. Therefore, I'm only concerned about the importance of an item like oil in the national account as a whole. I'm saying that imports are small. The U.S. doesn't have to be all that competitive with everybody else in everything else, especially with the increasing need for American food. I could say the same thing about food that you said about oil on the Persian Gulf.

Suppose the U.S. economic system became totally closed. Suppose it became completely noncompetitive and could neither import nor export anything. Could the system still continue to grow at 7% per annum? My answer is yes. It depends on technology and investment.

Gall: Wouldn't it require a great deal of political will to make such an adjustment to a situation where imports were restricted? In the past you have attached a great deal of importance to noneconomic factors in determining economic reality. Do you think the U.S. society has enough internal cohesion to withstand such a shock?

Lewis: Let's talk about cohesion. One thing that dogs latter-day capitalism is the trade union movement. The U.S. has a mild trade union movement—when compared with the powerful British unions. The British are in a complete mess. They can't move in one direction or another without fighting the unions. Ask yourself about inflation. What role have American unions played in inflation? Inflation has come mostly from outside. U.S. unions have been remarkably restrained, which is a big difference between the U.S. and Britain. In Britain the Prime Minister says we ought to have a wages and incomes policy and is denounced by the leader of the trade union movement. In the U.S., the President says we won't have a wages and incomes policy and is denounced by the leaders of the trade union movement, who say we ought to have mandatory limits on wages and prices.

There's a vast difference. America doesn't begin to know what unions are like, compared with Great Britain. Its unions are much more like the Japanese unions, whose leaders are gentlemen and brothers of the capitalists.

Gall: Let me get back to the question I asked earlier. What policy should the U.S. be adopting to ensure that we don't follow the path of decline that Britain traveled a century ago?

Lewis: The main problem in the U.S. is to get out of this recession, to have a faster rate of growth. How can we get back to the long-run upward trend of about 5% annual growth in industrial production? To reach that growth trend, we may need a burst of speed in industrial production such as the 7% annual growth rate of the 1961-66 period. In 1978 we had 5.7% industrial growth. Everybody was surprised. The newspapers reported that all the economists were wrong in their predictions. All of them

predicted growth below 4% or 5%.

There's lots of pessimism around. We know there are various ways to stimulate the economy. But when you suggest them, people say that if you try to stimulate the economy at this time you will only get a rise in prices because there's a shortage in capacity, especially skilled labor capacity. However, if industrial production began to grow rapidly, labor would simply be drawn from the unskilled market into the skilled market and there wouldn't be any bottleneck.

The real problem in the economy is that it doesn't pay to invest. Investment is too low because the profit ratio is too low. What you have to do somehow is to stimulate the economy and raise the profit ratio. But it certainly cannot be done by raising interest rates to 13%, which is what the government is trying to do now.

Interest rates have to come down. Bringing down interest rates should also solve the stock exchange problem. When interest rates go down, stock prices will rise. It would no longer be true that, if you build a plant for $1 million, you could only sell it for $800,000 on the stock exchange.

Gall: Then is the economy simply faced with a problem of momentum?

Lewis: I think the U.S will have a harder time in the future than in the past. We see this in the difficulties with the dollar. The U.S., like any other country, must be allowed to export as much as necessary to pay for its imports. If you cannot have such equilibrium, then you cannot have peace in world trade. The set of rules that you have must be a set of rules that enables countries to pay their way.

Gall: You seem to be evoking an image of the U.S. as a kind of Gulliver fallen asleep among the Lilliputians.

Lewis: I'm saying all this because people are taking unrealistic attitudes toward the U.S. as it is running this great trade deficit. The domestic counterpart of this deficit is a high level of unemployment. As it imports shoes from Italy, American shoe factories close down. It is not reasonable to expect Americans to put up with the situation which forces them into a high level of unemployment. The argument for trade is, yes, the Italian shoes will cause you to close down your shoe factories, but you will be exporting something else that will be equal in amount.

Gall: You seem to be talking essentially of an invisible hand providing for compensating exports that will balance our accounts.

Lewis: It's not an invisible hand. It's a fixing of the right rate of exchange.

Gall: But will the U.S. be permitted to devalue in its dealings with certain countries? Will any devaluation be matched by a counter-devaluation?

Lewis: This was the situation until 1971. Mr. Nixon tried to get some peaceful readjustment of currencies. He did not get it and proceeded to take a set of drastic actions. Consequently, the dollar was devalued 25% or 30% vis-a-vis the German mark during the 1970s. Not long ago the yen was 300, and now it is under 200. The big difference between the British at the end of the 19th century and Americans today is that the Americans did devalue. I'm not saying with certainty that this is going to happen, but an adjustment of currencies to a new reality may be taking place.

Gall: Speaking of currencies, many people are worried about the foreign debts of developing countries. Brazil this year will borrow about $13 billion, or about 8% of its GNP, and Mexico may be borrowing the equivalent of nearly 20% of GNP. The Eurodollar market seems to be a medium of speculation on a depreciating asset: the dollar, that will be cheaper to pay back later on. What are the implications of this increase in borrowing?

Lewis: There's a big difference between investing the money productively in buildings, steel plants, oil, refineries, etc., and using the money to dig holes in the ground and fill them up again. If the money is being invested productively, for example, to expand Brazilian exports, the money will pay for itself. It doesn't really matter how much it is because it's self-financing. [But] if the government borrows money for foolishness and bankers insist on lending them money, you have a default. We do have defaults. The international investment business has always been full of defaults. In the 1820s, the Latin Americans defaulted. In the 1840s the North Americans defaulted. In the 1870s everybody defaulted. In the 1890s Argentina and Australia defaulted.

"Investment is too low because the profit ratio is too low. What you have to do is stimulate the economy and raise the profit ratio. But it cannot be done by raising the interest rates to 13%, which the government is trying."

I think we make too much of default from the point of view of the economic system as a whole. Charles Kindleberger of MIT has just published an entertaining book, Manias, Panics and Crashes [Basic Books, $12.95], in which he makes the point that when you have a crash, it is over within about six months. After that the system picks itself up again. What has the crash actually done? The main thing it has done is to damage confidence. As far as actual money flows are concerned it hasn't done very much.

People were extremely worried by the debt burden in 1970. Since 1970, prices have multiplied by two or three, so that the debt burden that existed in 197 more than halved automatically. I happens at regular intervals, the se thing to do is to borrow the maxi amount all the time. But you can't that to happen forever.

Gall: Why can't you? The major A can banks tell their stockholders: at the beautiful profits we're maki Brazil, just by doubling our rate of ing last year.

Lewis: What happens is that the take their petrodollars and put the the Bank of America. The Bank of A ica lends these dollars to Brazil Arabs have taken a long time to about inflation, but they are beginni learn. They will stop putting their m into the Bank of America unles bank indexes their deposits against tion. Otherwise, they will put their ey in real estate.

Gall: Then the banker will say: "I have all this principal anymore be the other guy is not depositing his ey with me. He is buying land." So would be the circuit breaker. And happens when the circuit breaks?

Lewis: Then you will have a syste which the interest rate is 50%. M will become become very expensive sucker, the Arab who put his mon the Bank of America, will have g wise. Look what happened to oil pr They indexed the price of oil and will index the money that they hav in the banks.

Gall: What happens then to the ba

Lewis: The banks will go to Mr. B enthal. Mr. Blumenthal will hold hands. The U.S. Treasury will bec the lender of last resort to ensure stability of the banking system. would have an international confer at which it would be agreed that t will be no repayment on principa loans for the next two or three y Those who could pay something on interest would pay some interest, ar forth. What difference would that m to the world economy?

There would be a lot of rescheduli debts. There will be a disturbanc trade for a while. For six months s exchange prices might fall. But for world economy to go down, m economies must go down. The Ger economy must go down or the Amer economy must go down. So long as major economies are moving at a st pace of 5%, or whatever you like, m ing that happens in Brazil or Zaïr going to make any difference to the of the world economy, or trade volu

So, when you ask me what would pen, I have to ask myself: Does cause industrial production to fall in U.S., Germany or Japan? The answ no. Why should it? There would be s turmoil, but the economic system w survive. ■

Today's management techniques are not new to him.

Kieran Fitzpatrick has learned to work th cost control, quality control, flexible pro- ction schedules, and increased employee sponsibility. Many international companies ve shown that innovative management can very successful in Northern Ireland. It rks for Du Pont, Goodyear, ITT, for undig, Michelin, Telefunken—for firms of sizes in a range of industries.

The Northern Ireland work force fits w methods into a manufacturing tradition old as the industrial revolution. We mbine innovation with positive attitudes ward company loyalty, productivity, d labor relations. We apply to the task lls from the basic to the sophisticated.

And to help put all this to work for you, we offer the best overall package of economic incentives in the EEC.

Find out how well we fit your business style. Get the facts from Reg Browne or George McLaren at the Northern Ireland Industrial Development Office in New York. They will quickly tailor an offer of assistance to suit your plans. Call (212) 593-2258. Or write: NIIDO, British Consulate-General, 150 E. 58th Street, New York, NY 10022.

Kieran Fitzpatrick works. He's building a career in electronics at Grundig.

Northern Ireland works.

"...while an insurance policy is a legal contract that expresses our *minimum* responsibility, there are many occasions when equity demands that we recognize a *moral* obligation beyond the strictly legal terms--and this is always a consideration in our settlements."

HENDON CHUBB
(1874-1960)

Our insurance policy.

Group of Insurance Companies
100 William Street, New York, N.Y. 10038

woods are full of people willing to spend $1,500 (and up) to hear the country is going to hell. Irrational? Maybe, but there's good ney to be made from such masochism.

Selling America short

idential adviser Alan Greenspan
sing cold comfort at $10,000 an hour.

By Nick Galluccio

YOUNG, TALL, IMPECCABLY tailored, Julian M. Snyder brings the audience thundering to its feet, with his conscious parody of William Jennings Bryan's 19th-century oratory: "Let us not crucify America upon the cross of Keynes." Snyder's populism is a far cry from Bryan's. Where the latter wanted cheap money and a downgrading of gold for the benefit of the farmers, the former is speaking to a class of small property owners, mostly of advancing years, who, for various reasons, feel insecure about what they owe and what they own.

Editor and publisher of *International Moneyline*, a hard-money economic newsletter, Snyder is addressing some 500 small businessmen and professionals attending last month's three-day International Investment Seminar at Miami's posh Omni International Hotel.

Is this a sign of the times? The Miami event is among a growing number being spawned by shrewd promoters at a time when worries over inflation, recession, high interest rates, the falling dollar and ailing stock market have gripped Americans everywhere. Flocking to these seminars are thousands willing to plunk down as much as $3,000 to hear from people like Snyder, Alan Greenspan, Arthur Laffer and Ronald Reagan that the U.S. is going to hell. But—the message goes—you *can* take it with you in the form of anything from diamonds, gold, silver, chromium, platinum and precious stamps to soybeans, real estate and foreign currencies. These seminars emerged during the bear stock market of the 1974-75 recession. When the market rebounded, their popularity diminished. Now that it's back in the doldrums, they're burgeoning again.

The people listening to Julian Snyder last month descended on Miami from places like Ypsilanti, Mich., Grand Junction, Colo., Simi Valley, Calif., Baton Rouge, La., Belle Fourche, S. Dak. and

"I don't have any confidence in the value of my retirement plan. It isn't worth very much with inflation running over 10%. I don't plan to keep my money in valueless bonds."

Reagan, economist Laffer (lower left), *businessman Schroeder*
preaching to the already converted.

Glen Carbon, Ill. Some came to b
the sun in refuge from the blisterin
of the North. Others, to make
buck. Still others just wanted to
more about the economic forces sh
their lives. (Thanks to the IRS, the
sion—entertainment, sunshine an
was tax deductible for most.)

Raphael and Caroline Kazmann f
from Baton Rouge, La. Tall and g
at the temples, Raphael is a profes
civil engineering at Louisiana Stat
versity. He is 62, his wife, 61. The
put three children through colleg
he says, "just about went broke"
so. In two years Kazmann will be e
for retirement, but he's worried.

"We are finally beginning to ac
late some money, but our employ
tirement funds are all in municip
corporate bonds yielding around 5%
I don't think they are worth a dam
laments. "I don't have any confide
the value of my retirement plan. I
going to be worth very much wi
flation running over 10%." He a
wife Caroline dished out $1,500
tend the Miami conference. "I ca
see what I can do about defendin
protecting my investment. I don'
to keep my money in valueless
I've got to put it into something els
buying information."

Lloyd and Thelma Schroeder
from Glen Carbon, Ill. In their ea
ties, the Schroeders own a mobile
park in Glen Carbon (pop., 4,000)
which they gross about $80,000 a
Lloyd has been investing in con
ities for 15 years and dabbles in the
market as well. He has about $12
invested. "We are going to get eat
by inflation if we don't understan
he worries. "I think inflation wi
worse unless the government bal
the budget and stops printing m
The government must not spend
than it takes in. That's what inflat
all about." Quite clearly, the doom
gloom-sayers who address these c
ences are preaching their sermons
already converted.

Harold G. Weil is a building cont
from Dallas, Tex. Trim and natti
tired, Weil looks 15 years younger
his 71 years. He has invested over
million dollars in a piece of land in
on which he had hoped to build an
complex. But with the rising c
building materials and soaring in
rates, he may be forced to delay st
his project. "I'm concerned abou
value of the dollar, and interest
going up," he says. "You can get b
so damn easy when you don't
what you're doing."

Darrell Nickelson, 47, a real esta
veloper from Belle Fourche, S.
came down to Miami, he says, "f
good weather." Alvin L. Davis,
stocky, soft-spoken retired Mer

Visitors to our new Lackawanna bar mill might think we can build other new facilities at will.

We'd like to. It cost us a bundle to build this sophisticated steel bar mill at our Lackawanna, N.Y., plant. Those multi-millions were well spent. That we know...because more efficient facilities improve profitability. Understandably, we'd like to build more, but we can't always afford them.

In recent years, the steel industry has found it difficult to generate sufficient funds to invest in all the newer and more productive facilities desired. Steel imports dumped into our country, soaring costs, and heavy environmental demands have all taken their toll on profits.

Solutions to these and other problems will help us generate additional funds for capital investment...help us adopt new technology wherever practical to cut our costs and improve our profitability. Bethlehem will continue to seek those solutions.

Bethlehem

BETHLEHEM STEEL

Bethlehem, PA 18016

It has been a remarkable half century, not the easiest of times, bu certainly an eventful one

Two Sunset covers, 50 years apart. On one, the serenity of a natural treasure, Lake Tahoe. The other, a lead-in to the practical application of a natural resource, solar energy. Two significant mileposts in the ever-changing story of 20th Century Western America.

The February, 1979, cover marks Sunset's golden anniversary as The Magazine of Western Living (although it acquired its birthright from a predecessor Sunset which had been foun by the West's Southern Pacific Company in 1898).

The 1929 issue, the first under Lane family ownersl emerged barely ahead of the stock market collapse and Great Depression. It would be 1938 before the new publica turned a profit—even a modest one—but the West and Su had begun the forging of a close and inseparable partnersl

The close alliance of the West and Sunset Magazine has been one of the phenomena of these action-packed years.

As the West has grown and changed since 1929, so has set. Its original service area of seven Western states is now een states, the result of a progressive outreach into, first, Territory of Hawaii, then Alaska, and more recently, the Rocky Mountain states.

In the evolutionary process, Sunset's circulation, a meager 00 in 1929, has grown to 1.4 million, with a total reading ence of nearly 3.5 million pace-setting men and women, the Rockies westward to Hawaii.

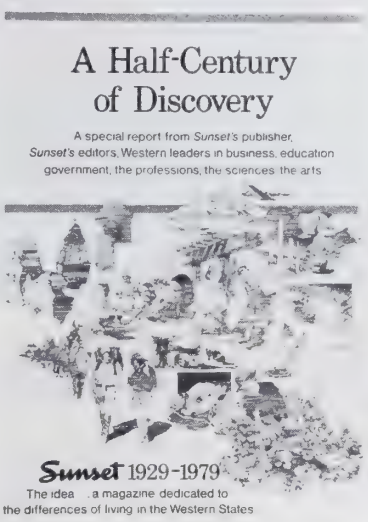
Sunset's basic purposes have been constant. Policies have changed, and been modified. nterests and involvements have expanded greatly.

Lane era began with a recognition that the West is a unique umstance, markedly different from the rest of the United es, not only in climate and geography, in historical molding, cultural evolution, g patterns, and social perspectives.

It became the magazine's purpose to Westerners make the most of their ue opportunities in terms of home life family interests: home-building and dec- ing, landscaping and gardening, foods entertaining, recreation and travel.

These are still the cornerstones, but set additionally has become a moving e for conservation and preservation of assets and attractions which make the t such an inviting place to live, or to visit n and again.

Thus, throughout these eventful 50 s, Sunset Magazine has written its pages Westerners and Westerners only. We do e many subscribers outside the West, olicited by Sunset, but they pay a mium for their subscriptions. Sunset is available on newsstands outside the t.


A Half-Century of Discovery
A special report from Sunset's publisher, Sunset's editors, Western leaders in business, education government, the professions, the sciences the arts
Sunset 1929-1979
The idea a magazine dedicated to the differences of living in the Western States

This special 16-page report, with a publisher's letter, history, and a "looking ahead" section by leaders from many disciplines, is bound into the February issue as a special bonus to Sunset's readers

Serving the Western family's interests is what Sunset is all about.

set readers know that when new conditions, new problems, udden emergencies arise, Sunset's editors will be on the m with alert and practical responses. Coping with energy tages and the drastic 1976-1977 drought are cases in point. occasion, we have pulled major articles and even magazine rs off the press, in order to treat an emergency which rred after our issue had been "put to bed."

Be assured, however, that Sunset does not have to have an rgency to be useful to its readers. Month in, month out, the azine provides an enormous variety of helpful ideas for Western families, whether it's getting value from inflationary dollars, adapting solar energy to practical use, conserving resources, having fun with a how-to-do-it home project or an affordable trip.

It has been a mutually rewarding partnership. That we have proved useful to our loyal readers, and to marketers and advertisers who are interested in selling the West, all of us at Sunset are both proud and grateful.

We have seen magazine circulation grow at about double the rate of Western population—without benefit of premium promotions, combination offers, and other subscription-boosting practices. Sunset's renewal rate is among the highest in the industry, and all renewals direct to publisher are cash-in-advance.

We have seen advertising revenues average better than $1 million per issue since 1971. 1978 was the biggest advertising revenue year in Sunset history. And the February anniversary issue has set a record that will be hard to beat.

Meanwhile, Sunset Books—more than 120 titles—are selling handsomely all over the world... A brand new, completely revised edition of the Sunset Western Garden Book (over 2,300,000 copies since first published) will go on sale in late February. Sunset's special interest annual magazines are growing year by year. Sunset Films is producing motion pictures for many American companies, large and small. Among our recent clients: Armour Foods, Hawaiian Airlines, Bechtel Corporation, and John Hancock Insurance.

"We are excited about the future." Okay. Nice birthday party. Where do we go from here? Chairman and Publisher Bill Lane said it for all of us, in a letter to Sunset readers, enclosed in the February, 1979 issue:

"We are excited about the future, and determined to stay down-to-earth and useful.

"Our task is to be sensitive enough to bridge the old and the new. In a world where it seems we're all being leveled by computers, Sunset's policy is to recognize all of you as distinctive individuals.

"We are in a very personal business. Serving your interests is what Sunset, The Magazine of Western Living, is all about."

Sunset
WORKS FOR THE WEST

GAZINE • BOOKS • FILMS

Lane Publishing Co., Menlo Park, California 94025
Visitors are welcome every weekday (except holidays) from 10:30 to 3:00

Today, chemicals help keep world business in business.

And IU's Gotaas-Larsen fleet gets them where they're needed.

Businesses throughout the world need refined chemicals to make the products we use every day—synthetic fibers and materials, paints, glass, and more. In transporting these chemicals from where they're made to where they're used, nothing is more important than safety and purity.

Gotaas-Larsen Shipping Corporation, operating one of the world's major independent fleets, owns four modern chemical carriers equipped with advanced cargo handling and containment systems. All have been built since 1974 and are designed to comply with all current maritime codes for international chemical transportation.

With up to 39 segregated tanks, each vessel can carry cargoes as different as petrochemicals and palm oil, alcohols and acids. The tanks are made of stainless steel or specially lined to prevent contamination.

Founded more than 30 years ago, Gotaas-Larsen also transports liquefied natural gas, crude and refined petroleum. In addition, the company operates offshore drilling rigs and passenger cruise ships.

Yet Gotaas-Larsen is more than a maritime leader. It's an important part of IU International, a company with worldwide interests in land and sea transportation, industrial products and services, utilities, distribution and agribusiness that add up to $2.5 billion in annual revenues.

For more information about the Gotaas-Larsen fleet, write Kenneth A. B. Trippe, President, Gotaas-Larsen Shipping Corporation, 1114 Avenue of the Americas, New York, New York 10036. To learn more about IU International, write IU Corporate Affairs, 1500 Walnut Street, Philadelphia, Pennsylvania 19102.

IU International

e cause of our economic problems is the ief that all things are possible in an ever- anding financial universe. Let's drive the er money into the wastebaskets of history."

e captain from Simi Valley, Calif. nas what he calls "a poor man's nt" invested in the stock market, led the conference "to excite my ng about what to look for in stocks ommodities."

ver C. Herring, 53, a tanned, dis- shed-looking real estate and pro- awyer from West Palm Beach, Fla., een out of the stock market since Although he expects "things will orse before they get better," Her- s pondering another throw of the n the market sometime soon. Eu- nd Shirley Koblas, both 60, own a printing business in Minneapolis, Over the years they have accumu- a substantial savings, but fear it be worth very much in their retire- Like many others at the Miami ment seminar, the Koblases are ping around" for a place to put money.

what better way to shop than over his and hors d'oeuvres in the thick- ed, sun-splashed suites of the rs and investment advisers spon- cocktail parties and ongoing in- ent workshops—by far the hottest last month at the 550-room Then, too, there was the lobby nholing, hawking and other "free" ment advice.

vhere was the action hotter than at entation given by Lawrence Mon- r., vice president and broker of son McKinnon Securities, Inc. It riday, Feb. 16, the second day of the ence, at about 12:15 p.m. when erg passed out to the more than eople in attendance a five-page re- report touting a Long Island, N.Y.- company called Standard Micro- ns Corp., an over-the-counter list- nufacturer of metal-oxide semicon- chips. At that very moment, the was selling at 8⅜. "I wouldn't sell ock if it reached $25 a share—even ached $40 a share," said Monberg. g his talk some 20 or so people d out of the conference hall to the one booths to call their brokers buy orders. Within an hour and a he stock's price had climbed to 10, and volume reached 81,400 compared with only 15,000 the us day.

ening to some of the speakers, er, you wonder that the attendees buy any stocks at all. Here's Julian r: "The specter of financial disas- ntinues to haunt the world in 1979. nderlying cause of all our economic problems is not Jimmy Carter, but rather the persistence of an erroneous idea . . . the belief that human material progress is perpetual, that all things are possible through an ever-expanding financial universe. We are all now beginning to be very much aware that something is rotten in the Keynesian economic universe. Yet the mystical proposition remains embedded in our minds that depression can be postponed indefinitely through policies of unlimited money printing and currency depreciation. We are entering an era of permanently rising inflation."

There was no surprise to Snyder's conclusion: Buy gold. "Let's drive the paper money into the wastebaskets of history," he orated. Snyder predicts gold will rise from its recent price of $250 an ounce to the $300 level in the next six to nine months, touching off a commodities boom.

James E. Sinclair, a partner of the New York-based firm bearing his name, followed Snyder to the makeshift rostrum to tout gold as the ultimate inflation hedge, only he recommends shifting into Swiss franc denominated bonds once gold reaches the $300 level. Sinclair's scenario calls for the franc to reach 1.06 per dollar *vs.* today's 1.66 per dollar, a 36% appreciation. Sinclair is devising a special so-called "strategic metals" fund consisting of titanium, chromium, platinum, lithium and uranium.

The stock market? Montague Guild Jr., president of Guild Investment Management, advised waiting for economic recession to set in—possibly late this year—before buying. His recommendations include telecommunications stocks such as M/A-Com and Rolm and computer stocks like IBM and NCR (in both industries the U.S. enjoys technological superiority over foreign competitors). He is also stressing the cement manufacturers located in the Sunbelt and California—the likes of Kaiser Cement & Gypsum and Texas Industries.

Fred Stanton Smith, president of the Keyes Company, a large Florida-based real estate outfit, came to the rostrum to suggest, of course, real estate. His advice to the novice apartment building buyer: Debt service of principal and interest should be less than 50% of the building's gross income. "Don't get into highly leveraged situations," he warns. Under no circumstances give the lender a piece of the property's income as a "kicker" in return for mortgage financing. He continues: "Always look at real estate in terms of the rent per square foot instead of whether it is one or two bedrooms."

What's more, he says, look at taxes as a percentage of the property's gross income. If that ratio is low, say in Miami relative to a nearby town, then it's bound to increase, so beware. Lastly, Smith pleads, "don't become enamored of a prospective property. Remember, the building should be seen as nothing more than a long-term inflation hedge."

To these rather conventional investment pitches, the sponsors of the convention added a sprinkling of media stars: Ronald Reagan and Alan Greenspan—each of whom were paid in excess of $10,000, a somewhat inflationary sum for a one-hour speech.

And there was Arthur Laffer of the University of Southern Calif. Riding the crest of California's Proposition 13, the handsome, boyish-looking Laffer is among the new breed of "free market" economists. His advocacy of mammoth tax cuts to stimulate corporate output and create new jobs is understandably appealing and fell on willing ears.

Greenspan fed the audience statistical analysis and interpretation. A bit dull but enlivened by the charisma that attaches to anyone who has had wide TV exposure. Bespectacled and professorial in appearance, the former chairman of President Ford's Council of Economic Advisers offered little solace to those many-furrowed faces listening intently to his hour-long presentation. His analysis: The explosion in mortgage credit at its present rate of $100 billion a year—ten times that of seven years ago—has strained credit availability to the point where mortgage money is fast drying up.

The speculative boom in real estate has touched off a selling spree among home owners eager to cash in on the soaring prices. Turnover of single-family houses, Greenspan points out, now exceeds 4 million units, compared with the average annual rate of 3 million. Increasingly tight credit is forcing housing prices and interest rates ever higher. But the bubble will burst, he predicts, next summer when home prices will plunge by as much as 15%, aggravating the recession. This, coupled with rising oil prices, will make for hard times through 1980.

When Ronald Reagan rose to the podium the auditorium resounded in an almost deafening thunder of cheers and applause. The handsome, articulate Reagan rewarded his admirers with a yawning and probably untrue platitude: "We are living in the longest sustained period of inflation in the history of government. You can go broke just hanging on to your money these days."

Was this worth $1,500 and a long trip? Says 71-year-old Weil: "If you associate with and listen to smart people you're bound to learn—it's got to rub off." ■

"I wonder often what the vintners buy one-half so precious as the stuff they sell." —Omar Khayyám
You can say the same thing about oil.
—Southland Royalty's Jon Brumley

Southland buys as others sell

AT 6:30 A.M. every weekday, four Ft. Worth men just heading into middle age gather at the old Hanging Tree, where their Texas forefathers used to string up cattle rustlers, to run three miles around the Shady Oaks Country Club.

This is not casual jogging, but serious business—running against time. If somebody trips, the others simply hurdle their fallen comrade and go on. That actually happened once to Jon Brumley, the 39-year-old president and chief executive officer of Ft. Worth's Southland Royalty Co.

Brumley didn't resent his friends' callousness: It was part of the drill. Brumley's $184 million (revenues) company, one of the fastest-growing little oil outfits in the country, is doing exactly the same thing.

The year Brumley became president, 1973, Southland had revenues of just $22 million, most of it royalties from producers like Gulf Oil, which was then operating Southland's Waddell Ranch properties in Texas. Last year its profits were twice what its gross had been in 1973 and its revenues were up 736% to $184 million. In the game of acquire-or-be-acquired that smallish oil companies are playing these days, Jon Brumley clearly wants his company to be among the survivors.

A dark-haired native Texan with horn-rimmed glasses and a relaxed manner, Brumley was working for an insurance consulting firm in Philadelphia in 1967. A fraternity brother, the son of Southland's long-time Chairman Galbraith McF. Weaver, wondered whether Brumley was tired of remaining up North; the son was a doctor, so Weaver had no successor. Brumley started as an "administrative assistant." Six years later, at the age of 34, he was president.

He arrived on the scene a few years before Southland won a big court case against Gulf, which had tried to extend its Waddell lease. Once it had the property back in 1975, Southland adopted a simple formula. In Brumley's words: "We used our credit to buy production and our cash flow to operate."

Southland's Brumley
Pouring his money into the ground.

Before becoming an operating company Southland's balance sheet was nearly debt-free. By early this year it owed almost $325 million and long-term debt was 72% of total capitalization.

In all this Southland was both adept and lucky. In 1976, for example, Brumley paid $186 million to buy Aztec Oil & Gas. At the time, the price seemed stiff. But considering what has happened since, it turned out to be cheap. Aztec's 850 million cubic feet of natural gas cost Southland 17 cents per mcf; it sold for an average price of nearly $1.32 per mcf last year and is heading higher.

Then, in the fall of 1978, Shenandoah Oil, a smallish west Texas-based producer, decided to sell its U.S. and Canadian oil and gas lands. Brumley outbid all comers for the Permian Basin properties, paying $126 million for proven reserves of 22 million barrels of oil and 63 b cubic feet of gas right next door to S land's Waddell acreage. Some Texa men said Brumley paid too much. he: "I feel as confident about Shen ah as I did about Aztec."

Brumley's consulting career was analyzing pension fund assets. It sl "Many public companies are ma for earnings per share," says a f associate. "Jon keeps an eye on tha what's on the balance sheet is w important to him." Brumley hi puts it this way: "The ultimate tes company is how much it is going worth at various periods of time."

Now, Brumley is keeping an ey Sweetwater County, Wyo., where S land has a 25% working interest Davis Oil in a potentially large ga covery, only 11 miles north of the Reservoir Unit, with estimated res of over 400 million cubic feet.

Still, Southland is bite-sized by c dustry standards. To make the com less vulnerable to takeover, the l recently voted to buy 1 million sha its own stock in the open market—a 8% of outstanding. The cost will be ty, about $52 million, but the shares be available to use for more acquisi and unavailable to would-be acquis Last month the board also split the 3-for-2 and suggested raising the dend from $1 to $1.20.

Brumley hasn't won them all. In the U.S. Supreme Court ruled 4 to 3 Southland must continue delivering ural gas to El Paso Natural Gas' inter pipelines at yet-to-be-determined p even though the old contract hac pired. Current energy policy, the C ruled, took precedence; a contract contract even after it's expired. So land gets $7 million a year less for gas—or about 50 cents a share—th would in the uncontrolled intra market. That hurt.

Brumley is well aware that South is entering a danger period. "Don' pect us to show the kind of earn growth in the next year or so tha experienced during the past few ye he says, well aware that with a p earnings ratio of over 14, the stoc vulnerable to any flattening out of e ings. "We've got sizable added int costs this year and we're spending n $90 million on capital projects." By 1980, he says, earnings should start ing again as new Shenandoah produc comes on stream.

With Southland's management, e ings are important but assets are p mount. However many smaller com ies sell out, figuring that at present pr cash in the bank beats oil in the gro Southland will go on pouring money the ground. "Everybody—*everybo* thought we paid too much for Aztec," Brumley. "Look what happened." ■

What J&H doesn't know about London, Willis Faber does.

One reason J&H serves more leading multinationals than any other insurance broker.

a time when other American kers are still seeking a stable tionship in the vital London rket, Johnson & Higgins and lis Faber & Dumas are brating 87 years of inter- ional cooperation.

This longstanding relationship ıst one of the reasons J&H the resources to uncomplicate most complex international management problems.

n addition to 34 of our own ces overseas, staffed with re than 900 J&H people, we call upon the global strength ur 71-office network of lusive correspondents in key iness centers.

Which is why 30 of the top 100 ıpanies have J&H as their ncipal international insurance ker. And another 15 have us heir team. And why we serve rly 30 percent of the rest of Fortune 500.

When it comes to international management, nobody has n at it longer or does it better n J&H.

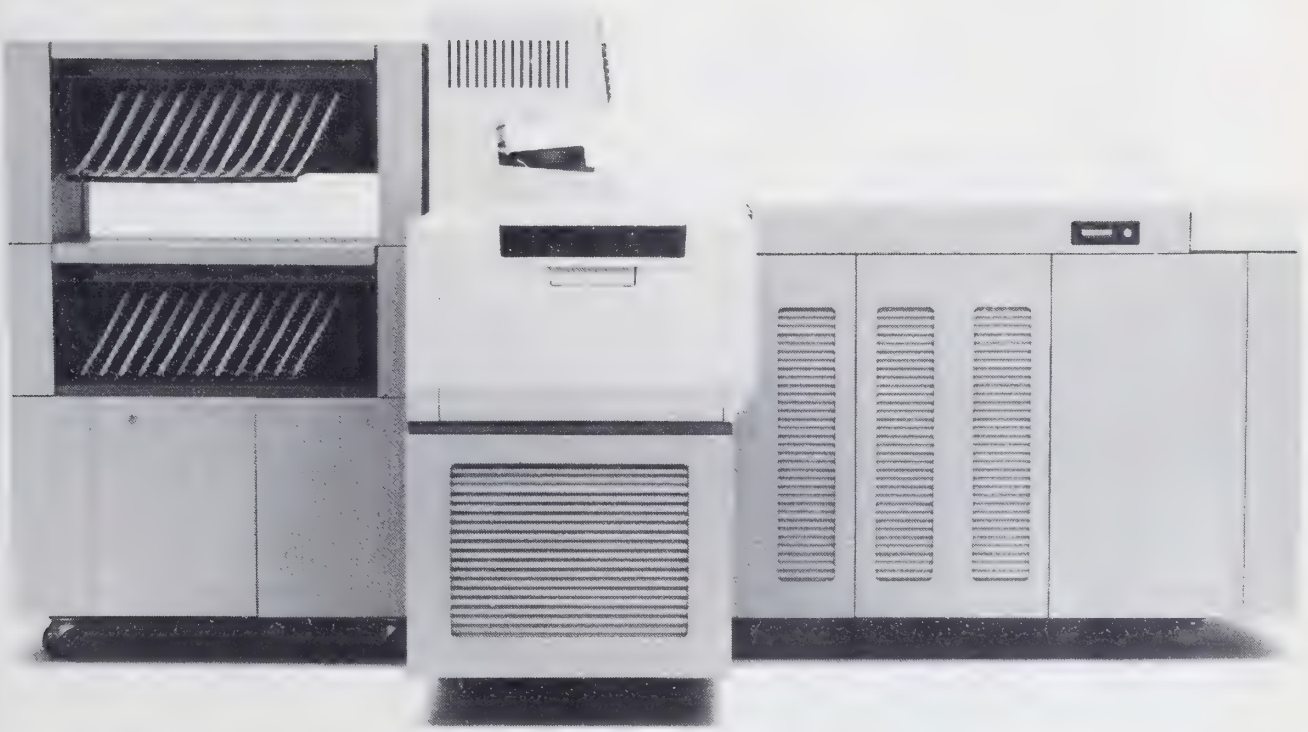
Representatives of Willis, Faber & Dumas and Johnson & Higgins meet frequently. Here the senior officers of both firms discuss recent developments. Seated (l. to r.) A. Ronald Taylor, Chairman WF&D; David V. Palmer, Deputy Chairman WF&D; Robert V. Hatcher, President J&H; Richard I. Purnell, Chairman J&H.

Johnson&Higgins

The private insurance broker.
We answer only to you.

RISK AND INSURANCE MANAGEMENT SERVICES; EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING THROUGHOUT THE WORLD

IF YOU CAN OPERATE THIS MACHINE,



YOU CAN OPERATE THIS MACHINE.

Push seven buttons on a telephone and you have successfully made a phone call.

Push two buttons on a Xerox 9400 duplicator and you have successfully made a copy.

In fact, anyone who can master the technology of making a phone call can operate a Xerox 9400 duplicator. Which, like a telephone, can be used for many different jobs.

Because with the push of other buttons, a Xerox 9400 can:

Automatically feed and cycle originals, automatically reduce, automatically collate and automatically copy on both sides of a piece of paper.

Xerox duplicators come in different models with many different features. And each of our models is the model of simplicity.

To prove to yourself how easy it is to use one of these Xerox duplicators, just call Xerox with the machine on the left. The number is 800-325-6400. Ask for operator 9400.*

If you can successfully operate that machine, you can successfully operate one of ours.

XEROX

XEROX® and 9400® are trademarks of XEROX CORPORATION.

*Missouri residents, call 800-342-6600

For years Americans have gone overseas for reinsurance and for insurance on extraordinary risks, usually to Lloyd's of London. We no longer have to lose that business.

Lloyd's of New York?

Uniformed doorkeeper at Lloyd's of London
New York wants a piece of the big insurance action.

LAST YEAR ABOUT $4 billion in ance premiums went to forei surers, often because no cor here could underwrite the risks. A drain on our balance of payment the projected Oct. 1 opening of the York Insurance Exchange may cha lot, if not all, of that.

Talk of an insurance exchang Lloyd's of London has been arou many years. Finally, last summe New York State legislature did thing more than talk—it passed creating a "free zone" in New Yor authorizing the exchange.

The free zone allows insurers buy the special license (a $1,000- item) to accept any hard-to-plac out of line with New York rate forms without approval from the as long as the premium is more $100,000. Also fair game for free insurers will be risks from a 360 list including such policies as wat leakage, stud fee coverage, golf damage, manicurists' liability and ministers' professional liability. exotic policies, like the $250,000 taken out on pin-up Betty Grable and the policy protecting an Aust from death due to the accidental f of a Soviet satellite (both risks co by Lloyd's), can be written in th zone or the exchange.

The free zone is a step in less regulation of the insurance busin New York for big insurers and ins The opening of the exchange is anc

Don't go to the exchange lookin policy on your house or car. This big shooters only, who don't neec sumer protection agencies. "There kinds of ways that big guys can do ness with big guys," notes Chu Son's Senior Vice President Ri Stewart. "They don't need to be pr ed from one another by state regula

On the exchange, syndicates of i tors will be represented by underw hired by the insurance brokers, wh go to the various underwriters to coverage for all or part of a risk. mum capitalization for a syndica $3,550,000, with each syndicate in contributing a minimum of $100,0

At first, the exchange will deal m in reinsurance. One kind of reinsu is that which companies buy to s big risks, such as a $50 million off oil platform policy. The other ki that which an insurance company to lay off part of its risk on, for exa all of its home-owner policies—s like your automobile collision insu with a deductible amount payable b before the insurance picks up the c damages.

"The exchange will also write po on risks entirely outside the U.S.," Continental Insurance Co. Ge Counsel William S. Gibson, who w

50% of the estate you eave may never get to your family.

Call Prudential about Estate Conservation.

Startling, isn't it. But it's true. From 10 to 50% of your estate, depending on its size, can be eaten away by taxes, administrative fees and other settlement costs. But a Prudential Estate Conservation Plan can help change all that.

Just call Prudential and a specially trained agent will analyze the value of your estate and draw up a life insurance plan that will provide the cash to cover the projected costs of settlement. Your Agent will also work with your attorney, accountant and trust officer to help minimize the taxes on your estate.

The bottom line: your family will end up with a lot more of the estate you want them to have. And that's a conservation plan everyone can agree on.

Prudential
Life Health Auto Home

The Prudential Insurance Company of America

volved with the committee that drew up the constitution and bylaws of the exchange, "or a risk which was tried in the free zone but failed to get placed." In other words, existing companies get a crack at the business before the syndicates can bid on it.

Much of the free-zone business now goes overseas. About half the insurance premiums paid in the world, industry sources estimate, and as much as 50% of Lloyd's premium revenues of $3.5 billion, come from the U.S.

"We realized in December of 1977 that the intransigence of the state insurance department about setting up an American version of Lloyd's was costing New York and the U.S. a lot of business," says New York State Superintendent of Insurance Albert B. Lewis. "Then we asked, 'Why didn't this happen before?' " In a way, Lewis is conceding the state insurance bureaucracy's unwillingness to part with power created by this tremendous loss of business to foreigners.

As similar as the New York Exchange is to Lloyd's, there are some substantial differences. Lloyd's members (called "names") have unlimited liability—"right down to the last collar button" as Lloyd's brokers are fond of saying. New York Exchange members' liability is limited to their investment. Lloyd's also requires no cash other than membership and accounting fees of about $1,500 a year—but "names" must demonstrate liquid assets of $270,000 before being admitted as syndicate investors. To be a member at the New York Exchange, you must bring your $100,000 with you and put it on the line with an underwriter whom you trust.

Insurance, of course, is speculative by nature—why do you think they call them risks? For syndicate investors, if their underwriter is bad and their luck is worse, they could lose their whole bankroll fast. But with some good luck and a talented underwriter, their investment could simultaneously generate a tax loss and tax-free income. Here's how:

A $100,000 investment in a syndicate could produce about $300,000 a year in premium income, about $200,000 of it "earned" in the current tax year. The rest would be on risks extending beyond the end of the tax year and not yet earned. Using casualty insurance industry rules of thumb, expenses are likely to run about $75,000, leaving cash flow of $225,000 and taxable income of $125,000 for the year. Insurance companies use "statutory accounting" which allows loss reserves to be deducted from income before taxes. It is reasonable to set aside $140,000 (70% of earned premiums) for loss reserves in this example, so for the year, your investment shows a $15,000 underwriting *loss*. For a person in the 70% tax bracket this would generate $10,000 in tax savings. Meanwhile, the loss reserve can be invested for tax-free income in municipal bonds or the like. That's what the big insurance companies do. When you actually get that tax-free income depends on the syndicate manager's investment strategy.

But here's the catch: The Internal Revenue Service may not allow individual syndicate investors to deduct those loss reserves. Only insurance companies may take losses not yet clearly established. The IRS is waiting for a request for a ruling before deciding the matter.

An alternative is to operate the way Lloyd's syndicates do. In London, the books for the current tax year are kept open for two years after the end of the year. This allows the great majority of liabilities to be identified and quantified. Any potential liabilities left outsta are in effect reinsured by the sync The IRS has in the past found this od acceptable.

Yet another alternative is to s syndicates as corporations, autom ly allowing them to deduct loss re as insurance companies do. But th investors' income is actually a div from stock, and as such is taxable.

In the Lloyd's system, you dor that paper "loss" (in effect, the s eliminates the loss reserve), and corporation system, you lose the ta income from investing the revenu

In a lot of ways, it's just like p dice. You figure the odds, put dow money and roll those bones. It's a whose time has certainly come. ■

There's a great, yawning market out th and some entrepreneurial dentists are do their best to fill it.

The department store dentist

By Elizabeth Bailey

LAST MONTH, on a bitter cold day in New York City, a dentist, a businessman and a lawyer sat around a boardroom discussing the poor state of the nation's teeth and how best to get at them. Dr. M. David Isaak, a 39-year-old dentist from New Jersey, opened up: "Statistics show that almost 10% of the population have never been to a dentist; 50% didn't see a dentist last year; and maybe 5% see a dentist regularly. In terms of marketing and business potential, it represents an untapped multibillion-dollar market—we dentists are in a pre-industrial stage of dealing with a need that exists." In 1977 alone the nation's dental bill was $10 billion, up from $8.6 billion the year before.

But things are going to change if Isaak and other dental entrepreneurs have their way. Dentists are getting out of their low-volume, single-chair practices, and—in some cases—setting up shop in department stores. This is now possible partly through increased use of technicians, and partly because sweeping legal changes allow dentists to adv

Montgomery Ward has leased sp three of its stores on the West Co dental centers, and this year pla lease 10 to 15 more to Dr. Isaak's agement company, DentCare. If su ful, they plan many more. Sears buck has leased space in eight of it Coast stores to Pro-Dex, a dental agement company based in San Fr co. Dr. Allan Gutstein, a 35-year-ol tist from New York, has installed centers in three Times Square Sto Long Island. Contracts vary, but i Dex' case, they sell the practice dentist who, in turn, gives both the agement company and Sears a pe age of his revenues.

The department store dentists store hours. Dr. Gutstein's offic open 12 hours a day, Monday th Saturday, and 6 hours on Sunda Lewis Kaan, who works out of a store near Los Angeles, is open 10 a day, 5 days a week, plus 8 hou Saturday. "When you consider 100,000 people walk through this store a month, we have a huge ma

The word movers.

Redactor™ word processing systems give you the power to prepare, visually edit and automatically type at incredible speeds.

edactor word processing systems take the rudgery out of repetitive typing and corrections. hey keep office communications moving fficiently. Accurately. And economically.

The Redactor II (shown below) incorporates a ideo display showing exactly what is to be printed. hanges can be made easily on the screen, and the ext rearranges itself before printing.

The text can be stored on diskettes, magnetic cards r tape cassettes for rapid retrieval and reuse. Or for put to other Redactor systems, line printers or hototypesetters.

The Redactor II will also memorize frequently sed communications formats. And automatically resent the text in these formats at the touch of a key.

No matter what kind of documents or volume you andle, there is a Redactor system to help you andle it faster and easier.

And remember, when you buy a Redactor system, ou get the security of knowing the whole Burroughs organization is behind you. Burroughs is a total capability company with over 90 years' experience in information management. We provide total system support. Hardware, software, customer training, system maintenance — even the business forms and supplies you need.

For additional information, call (516) 924-0700, ext. 333, or write Redactron Corporation, Department FRB-9, 95 Horseblock Rd., Yaphank, New York 11980. Redactron is a subsidiary of Burroughs Corporation.

Burroughs

Sears' dental center (top) *and Dr. M. David Isaak of DentCare*
The big idea: moving dentistry beyond its pre-industrial stage.

he says. In contrast to the average dentist who handles 240 patients a month, Kaan and the two other part-time dentists in his office take care of over 750.

Fees charged by the department store dentists average 20% to 40% below those charged by traditional dentists. Dr. Gutstein will fill a cavity for between $7 and $21, compared with the $20 to $30 average price in his area. A root canal at the department store will cost $75 to $155 compared with $100 to $275. Prices are not only posted, but since the Supreme Court ruled in 1977 that professionals could advertise, Gutstein uses print, radio, buses and the store loudspeaker to hawk his services.

Chain dentists can charge less because higher volume and use of technicians substantially lower the cost of dental care. Dr. Peter Garvin, a 53-year-old dentist who practices in Ohio, where the laws regarding the use of dental technicians are liberal, started low-cost Cincinnati Dental Services ten years ago on that premise. Says Garvin, "Dental bills are mostly for labor. Well, if a dentist spends five minutes cutting a tooth and then lets a trained assistant spend the next 15 minutes filling it—at a much lower wage—you're going to have a saving. And, of course, with a large number of patients you can reduce the cost of dental supplies by buying in volume." Cincinnati Dental Services has grown to a 58-chair practice, with 12 dentists. Dental bills are on average 40% lower than those in the area.

"It's a matter of free enterprise," Garvin. "There's been no compet and as a result dental costs have g expensive. It isn't ignorance or fea stops people from going to the de they just don't have the scratch."

What's in it for dentists? Both stein and Isaak made over $10 when they were full-time "wi gers"—meaning practicing—den but their profits could be many that. The average dentist makes $41,000, but many dentists are poor nessmen. Dental graduates keep flo into the rich suburbs, while rural have no dentists. "One dentist I hir Sears was in private practice in Be Hills," says Dr. Kaan. "He could busy only two days a week. Beverly is a tough nut to crack."

It can cost up to $100,000 to set up-to-date dental office, and school graduates already saddled school loans in the thousands are vous about taking on the additional While Kaan owns his Sears prac and pays for his own liability ance—he pays a flat salary to the de who work for him. They don't ha worry about paying the bank, maki payments or hiring and firing empl "I have two or three dentists calli each week asking about jobs. Appa the security of the arrangement ov ances, in their minds, the inconven of having to work nights and weeke

There are those, of course, wh department store dentistry as deme to the profession. And, the depar stores are proceeding gingerly. Th tist carries the malpractice insu but a Sears or Ward is all too aware makes an attractive target.

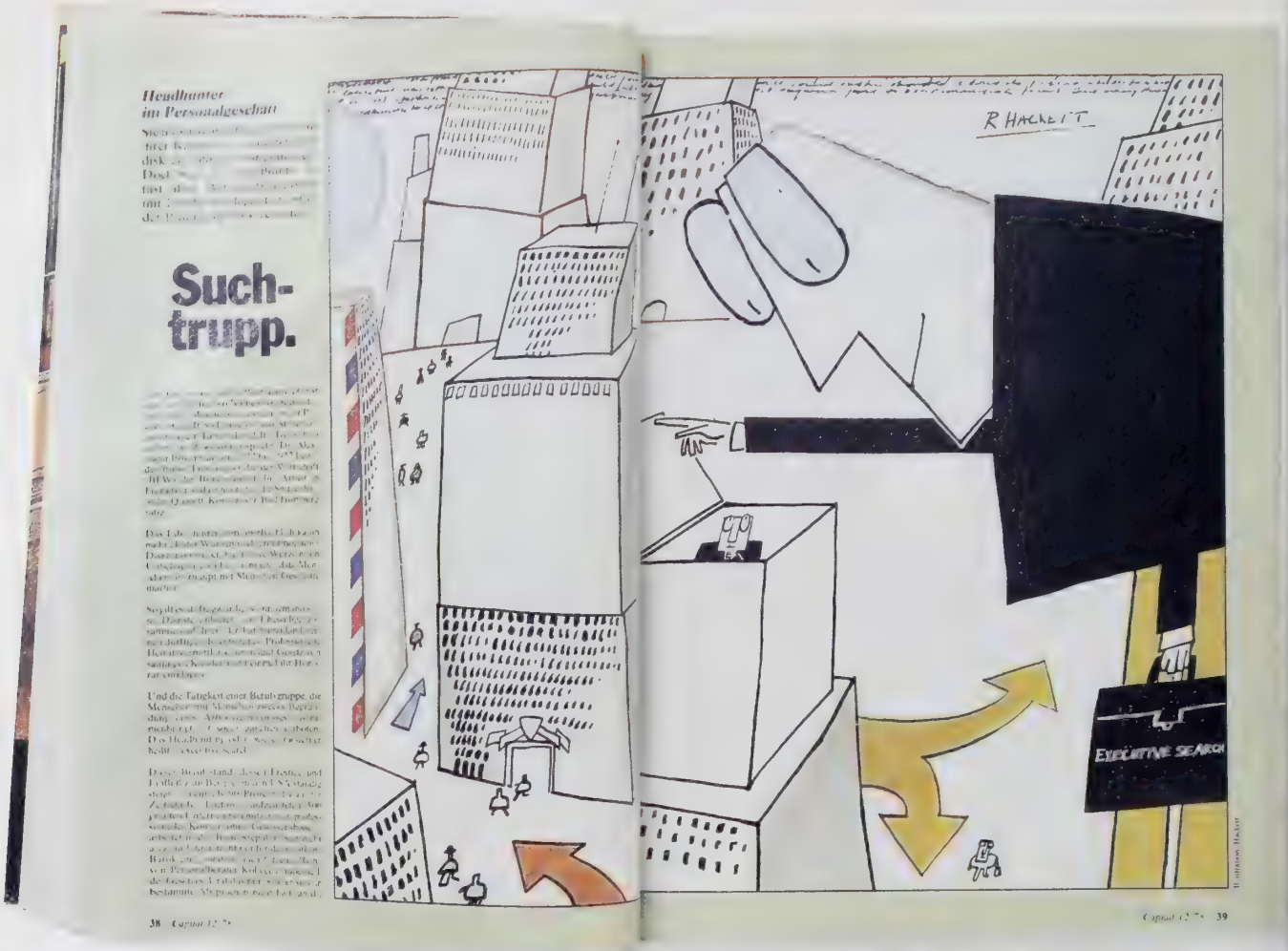
But there's a booming marke there in low-cost, high-volume den and it's rumored that health-care r companies like G.D. Searle are lo for ways to get in on it. Right now, state laws prohibit nonprofessiona porations from having direct own of professional services, but the F Trade Commission is looking at r mendations that could open up der to corporate ownership. Michael schuk, crusading chairman of the recently blasted professional grou inflating fees. If Pertschuk is consi the FTC will encourage this spre corporate dentistry. Said he: ". . . orous competition, coupled with quate consumer information, assur proper range of quality at the lowes sible price." He was taking the wor of Dr. Isaak's well-cared-for mouth

It all comes down to a mat choice. "Before I went into Sears calls Dr. Kaan, "I got together with others in the community and disc it. Some were cautious; others 'More power to you. This is free prise—go ahead and good luck.' " ■

At 200 horsepower, it's not size but job efficiency that sets our new JD855 Loader apart from the rest. The advantage is gained with a hydrostatic transmission constantly balancing speed and force as required—from start-up until sundown. It's no surprise to us that the best salesmen we have for this one are the 110-hp versions we have had in production since 1976. Your inquiries about our company and equipment are welcome. John Deere, Moline, Illinois 61265

JOHN DEERE ON THE MOVE

JOHN DEERE



The forbidden business that brings the best results: Headhunters in Germany.

An in-depth report over the legal and not-so-legal aspects of the executive search – written for the readers of Capital, the magazine that is required reading for the West German top executive.

Every month, Capital provides invaluable information for its readers: What to expect from the economy. Interpreting market trends. How companies are managed and how other executives made their way to the top. If you are active in the German market, Capital can help put your advertisement onto the desks of Germany's top executives.

For more information on Capital, or on the people and the markets in West Germany, please contact: Mr. Henry G. Meyer-Oertel, Gruner + Jahr International, 60 East 56th Street, New York, N.Y. 10022, Phone (212) 753-6190.

G+J Communication in Germany

Gruner+Jahr AG & Co, Druck- und Verlagshaus, Postfach 30 20 40, D-2000 Hamburg 36, Deutschland

nsidering how profitable spin-offs often are stockholders, it is surprising that more npanies don't do them. Or is it surprising?

Statistical Spotlight

Spin-offs: Smaller is beautiful

Time Inc. sold most of its televi- roadcasting operation to McGraw- ays Time Chairman Andrew Heis- e never considered spinning off the asting operation instead. Most prefer to sell for cash or notes and use the proceeds in their company.

In a way that is too bad: Spin-offs have often greatly benefited stockholders.

A spin-off occurs when a company sets up an operation as an independent company and gives its shares to its own shareowners. In 1968, Forbes studied the spin-offs that had occurred in the previous 15 years and found that the shares of the spun-off companies could rise faster than those of the parents.

The table below updates the stock market results of parents and their spin-offs over the last nine years. As a group the well-known parent shares rose 99%, the spin-offs 133%. Quite a difference.

Often the spin-off is in a more glamorous business—Lanier Business Products out of Oxford Industries, an apparel manufacturer. In addition, the smaller spin-off usually can grow faster percentagewise than the larger parent. Or an entrepreneur, who would have left the parent company anyway, takes over the spin-off and gives it his drive. The parent's shareholders get the benefits.

Many operations are spun off because they conflict with the parent's prime

The parts can be more valuable than the whole

In most cases, a spun-off company is a smaller entity than its surviving parent. But shares in the spin-offs in the list below have typically outperformed their parents.

n-off	Date of spin-off	Business	Market price at spin-off	Recent price	Increase	Current price/earnings ratio
McDermott	4/28/70	Offshore construction	5½	20⅜	270%	6
nsocean Oil		Oil/gas explor/production	8½	19	124	22
	6/4/71	TV, radio	45⅜	52⅜	15	7
com International		TV program distributor	18¼	28¼	55	14
gia-Pacific	1/19/73	Forest products	20⅛	28¾	43	10
uisiana-Pacific		Forest products	12⅝	20¼	60	7
uet Consolidated	3/8/74	Philippine gold mining	4⅛	3¾	–9	9
ercontinental Diversified		Land development	9	26⅛	190	6
zoil	4/16/74	Oil and gas, mining	26¾	33½	25	9
ited Energy Resources		Gas pipeline	6⅛	37¼	508	5
so	5/1/74	Gas pipeline, mining	13½	16⅞	25	7
rthwest Energy		Gas pipeline	16	31⅜	96	6
	5/31/74	Chemicals, paper, guns	8¾	18½	107	7
nkraft		Forest products	21½	65*	202	—
ican Natural Resources	6/30/75	Natural gas	35⅛	37¼	6	6
sconsin Gas		Natural gas	18¾	20⅜	9	7
	11/28/75	Retail: consumer electronics	11⅝	24¾	113	8
dycrafts		Retail: hobbies, handicrafts	12⅞†	25⅞	101	11
dy Brands		Leather goods	3¾	9¾	160	5
crafts	5/14/76	Retail: hobbies, handicrafts	17¼	25⅞	50	11
fford-Lowdon		Printing	6¾	15⅝	131	9
ovia	7/1/76	Bank	22⅛	16⅛	–27	7
erican Credit		Consumer finance	14⅛	44½	215	10
ning-Ferris	10/18/76	Waste disposal systems	6⅛	14	129	10
nsolidated Fibres		Recyclable wastepaper	2⅝	1⅝	–38	def
C Technology Development	1/1/77	Int'l manufacturing licenses	1⅝	14¾	808	42
iptomatic		Addressing machines	3	11½	283	9
	4/15/77	Iron pipe and fittings	11⅜	16¾	47	8
nus Industries		Heat transfer equipment	3½	9⅛	161	7
d Industries	7/5/77	Apparel	7⅞	9⅝	22	5
ier Business Products		Business machines	17⅝	29¼	66	13
National	3/23/78	Specialty retail	10⅝	12½	18	8
e Consumer Products		Keys, consumer products	3½	5	43	6
art-Owen Industries	6/20/78	Wireline services and tools	25⅝	37¾	47	19
go Industries		Augers, steel teeth, oil tools	6¼	7¾	24	NA

offer in recent merger. † Adjusted for subsequent spin-off of Stafford-Lowdon. def: Deficit. NA: Not available.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

February 16, 1979

648,000 Shares

Verbatim Corporation

Common Stock

Of the above shares of Common Stock, 350,000 shares are being sold by the Company and 298,000 shares are being sold by certain Selling Shareholders.

Price $17 per share

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation — Hambrecht & Quist

Bache Halsey Stuart Shields Incorporated — Blyth Eastman Dillon & Co. Incorporated

Donaldson, Lufkin & Jenrette Securities Corporation — Drexel Burnham Lambert Incorporated

Goldman, Sachs & Co. — E. F. Hutton & Company Inc. — Kidder, Peabody & Co. Incorporated

Lehman Brothers Kuhn Loeb Incorporated — Merrill Lynch White Weld Capital Markets Group (Merrill Lynch, Pierce, Fenner & Smith Incorporated)

Paine, Webber, Jackson & Curtis Incorporated — Salomon Brothers

Smith Barney, Harris Upham & Co. Incorporated — Dean Witter Reynolds Inc.

Bear, Stearns & Co. — L. F. Rothschild, Unterberg, Towbin

Shearson Hayden Stone Inc.

ENERGY CONSERVATION - **IT'S YOUR CHANCE** TO SAVE, AMERICA

Department of Energy, Washington, D.C.

business or compete with the p customers. Or, management can tential legal conflicts in the future busters are always trying to force d tures. Congressman Morris K. (D–Ariz.) would like to see big oil of its coal. The FTC would like pipelines spun off, too. Justice wou to break up IBM into many parts forced divestitures might not be g the economy, but they might wel stockholders with several pieces o worth more than their original on

Spin-offs looming in 1979 are:

• General Tire & Rubber in (sales $2.2 billion, stock price 25, announced its intention to spin off With revenues of over $230 milli profits of over $31 million, RKO G owns TV and radio stations, over 9 a cable TV company with 200,00 scribers, 59% of Frontier Airlin five soft drink bottlers.

An IRS ruling that the spin-off be tax-free to shareholders has a come in. FCC approval is expected

• Shareholders of big $4 billio enues) Coastal States Gas Corp.— price 19, P/E 7—have already vo approve a giant spin-off. It will be Valero Energy Corp. and have rev of over $1 billion, $600 million in and only $142 million in debt.

Coastal had overreached its promising to deliver cheap natural Texas cities. When the price soared, its promises couldn't be ful So its gas customers, in return for ing Coastal from those contracts been made beneficiaries of a trust holds Valero preferred stock plus of the Valero common. The rem common goes to Coastal shareholc

• Amendments to the Bank H Company Act will produce at lea spin-off of a bank this year and p more. Sperry & Hutchinson, the stamp people (sales $800 million, price 15, P/E 5), are planning to sp one share of State National Bank Inc. (of Connecticut) for each five of common held in S&H. Last ye bank earned $4.4 million.

• Do businessmen break their paign promises after election as ea politicians? The future of the Car dum Co., sales about $800 million, on the answer. Curtiss-Wright rep tatives finally have gained places o necott Copper's board. C-W ran a proxy fight to force Kennecott to s Carborundum.

Where is it engraved in stone company can only grow? Aren't times when a spin-off is better for body—stockholders, employees, th companies themselves? Ever knows about the "edifice complex' ecutives build monuments to selves. But in the corporate world, times, small—or smaller—is beauti

It's not just one big simple world out there.

It's not just one big simple world out there, but many. Whether you have a single message for the whole world or many messages for many different markets, TIME can help.

For TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where your markets are.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Faces
Behind The Figures

Big piece, bigger pie

Whether the public is edified appropriately by the start of telecasts from Congress scheduled for this month remains to be seen. But one certain beneficiary of this noble experiment is Scientific-Atlanta, Inc., which makes the earth station that is sending the signals from the Capitol to the RCA Satcom I satellite and the receiving stations used by the majority of the cable systems that are carrying the congressional show to about 1 million subscribers.

Not unexpectedly, S-A's CEO, Boston-born Sidney Topol, 54, is talking about the nation getting "cabled up, and every cable system is going to have at least one satellite ground station." Only about 200 of the 4,100 cable systems in the U.S. are carrying this month's House session telecasts, and some of them have as few as 50 subscribers. But, presumably, if the rest of the public wants to see what its national legislators are up to, S-A will share in the bonanza. And as other cable programmers, such as Ted Turner's WTCG-TV, continue to expand their program offerings, the demand for S-A's receivers will boom.

Sidney Topol of Scientific-Atlanta
TV goes to space, profits go to Georgia.

But Topol is looking to a lot of other new business sources as well, as he continues the job of reshaping the company he took over more than seven years ago. In 1972, his first full year at S-A, the company grossed only $16 million and netted barely $250,000. In those days it was still pretty much a custom job shop, turning out high-priced but low-volume scientific instruments. Last year, for the fiscal year ending June 30, sales had climbed to $94 million, while earnings, at $5 million, were up some 18 times their 1972 level. And for the first half of fiscal 1979 sales hit $54.2 million and net went to $3.1 million, up 34%.

What Topol did was get the company out of its custom operations and into higher-volume products. "We realized that if we could standardize on a product," he recalls, "put it into production and sell what we'd made, we could make a lot of money. I took that concept and cut away other areas." Short-run products were dropped, and Topol focused on new ones that relate to communications, especially satellite transmitters and receivers, where S-A now has maybe 60% of the business.

Last year, Topol, a physicist by training, who spent 21 years at Raytheon Co., picked up Spectral Dynamics Corp., a producer of scientific measuring instruments. He got a $20 million, high-margin outfit plus a nice little marketing organization in Europe. Last year international sales volume at S-A reached 21%, up from 13% before the acquisition. Topol is also boosting S-A's share of high-output products another way. S-A has had a deal for the last seven years with Atlanta's Rollins Protective Services to make the burglar and fire alarms that Rollins installs and monitors.

Topol won't even bid on a government job unless he can see a standard product emerging. Even so, government business accounts for 20% of S-A's total, almost all of it in off-the-shelf products at catalog prices. And that's how Topol wants it all to go.

A perfect marriage

North Carolina's 13,850-acre Green Swamp was a dead asset to its owner, Federal Paper Board Co., Inc. The wetlands, valued on the open market at $4 million, would have been too expensive to drain and cut. Instead, the company donated the property to The Nature Conservancy as a wildlife sanctuary in 1977. Not a bad bargain. Federal Paper Board, with the tax credit, added some $2 million to its cash flow. The Nature Conservancy received a unique piece of real estate—a home for deer, alligator, black bear, bobcat and Venus's-flytrap—

Conservationist Patrick F. Noonan
In business to save wilderness.

to preserve in its natural state.

Aiding and abetting enlightene interest of this kind is now routine f Nature Conservancy and its pre Patrick F. Noonan. With 200 paid er ees, 215 associate corporations and supporting members, Noonan, 36, nonprofit outfit of some size.

The Conservancy started in when a group of scientists broke from the Ecological Society of An Tired of studying disappearing r habitats, they wanted to preserve ness. "It was a dream," says Noon began in a basement, just like mar porations." Since then, the Conse has acquired over 2,000 tracts– than 1.3 million acres. It has ke preserves and transferred the rest er protective agencies. The Conse pays taxes in 24 of the 45 states w owns land.

Noonan joined up for less than $ annually in 1969 after three years i ernment park planning and two selling real estate. His M.B.A., pla degree and realtor's license made perfect marriage," he says. In 19 age 30, he became president.

With a $23 million revolving much of it from foundation gran Conservancy has resources (highly aged, at that) to buy land it ca through donations. Purchases mus sionally be made on the sly. Wh Pascagoula Hardwood Co. refused 32,000 acres of hardwood forest ($22 million) in Mississippi, the C vancy bought 80% of the com stock for $13 million, voted for d tion and gave the land to the st cost. Another time the agency se dummy corporation to buy land fr owner unwilling to sell to naturali

But, not just *any* land will do

The bengal tiger must rely
on man for survival

Who's going to save your skin?

What does the endangered tiger have to depend on for survival besides his natural defenses and the compassion of humanity? His defenses alone are obviously not enough.

In preserving your industrial capacity you have no one else to count on. When disaster strikes you have no one else to blame. Use the defenses available to you. Practice the basic principles of loss control. That's where Allendale Insurance can help.

Factory Mutual System

Allendale Insurance

Allendale Park, Johnston, Rhode Island 02919

This man has to find and sell the key corporate decision-makers in the E.E.C.
This man needs a pin-point breakout of car prospects in Singapore, Hong Kong and Manila—by make and model year.
This man has to know to reach the most firs air travellers at the least possible cost.
This man must sell where high-end scotch consumption is at its densest.

They'll have their answers. In very short order. And absolutely free.

Introducing the Newsweek International Data Center.

sia and the Middle East, the kind of arch international advertisers needed rare, to say the least.

urope it was more extensive—but e expensive, as well. And little of it sed national boundaries.

v, Newsweek International has ered all of it together.

esource for Marketers.

Newsweek International Data ter is a computerized repository for diverse media/market data so able to multi-national business: stical tracks on major product use, ket composition and media habits ey consumers.

h retrieval access to this data in New and London, we can immediately your media/marketing queries into , useful facts.

usive and Extensive Data.

ch of this data is exclusive to News- k International, like the Asian iles study of 1976. For the first time, se of you who market in the eight or cities of Asia have access to finitive study of the lifestyles and dia habits of Asian executives.

re's more. We've included data from r, equally reliable sources:

recently completed Pan European ey is perhaps the first—and certainly most comprehensive—study of pean executives which sets aside limitations of national boundaries.

The Australia-wide survey of readership of magazines, by the Roy Morgan Research Centre.

The McCann-Middle East media study—the only definitive media research yet done in the Middle East.

All of this data is now immediately available to you, without charge.

Harold L. Leddy, Jr. your Newsweek International representative in New York. Call 212-350-2556.

Telephone Link to Data Center.

You simply call your Newsweek International representative and pose your problem.

He then becomes the liaison between you and the Data Center. With startling immediacy, you'll have the information you requested on your desk, ready to feed into your decision-making process.

An Extraordinary Magazine Service.

Only Newsweek International offers this unique service to the international marketing community.

As far as we know, there's nothing quite like it in all the world: a comprehensive media/marketing data bank open to international marketers without charge.

But then again, there's nothing quite like Newsweek International itself...a magazine of global scope and universal authority...received, read and responded to by nearly two million key international consumers each and every week.

And ready...with data and with prospects...to help you sell in any of these major world markets.

Newsweek INTERNATIONAL data center

SALES OFFICES New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

Faces
Behind The Figures

Noonan, "We've become very concerned about haphazard conservation. In many cases, that can be worse than no conservation at all." Why? It sometimes forces industry into areas more fragile than those "saved."

You can't eat prestige

When the New York Stock Exchange admitted its first two foreign members last month (EuroPartners Securities and Transatlantic Securities), among those least impressed was a young veteran of the brokerage business named Theodor Schmidt-Scheuber. Three times in the past eight years, Schmidt-Scheuber, president of ABD Securities Corp., had tried to buy a seat on the NYSE. Three times he was flatly turned down.

"We don't have any intention of trying for membership again," he said last month. "The economic reasons for being a member of the NYSE have evaporated with the passage of the 1975 Securities Act amendments and the advent of fully negotiated rates. It's a prestige thing, but you can't eat prestige. We are better off today where we are."

Schmidt-Scheuber, now 44, went to Boston in 1968 when Dresdner Bank, Germany's second largest, decided it needed a broker in the U.S. and the Big Board still forbade foreign membership.

ABD Securities' Theodor Schmidt-Scheuber
Rebuffed in New York, loved in Boston.

A former Frankfurt Stock Exchange trader, he had started ABD that very year with $100,000 capital. Last year ABD, now owned equally by four European banks (Dresdner, Algemene Bank of the Netherlands, Banque Bruxelles Lambert and Germany's Hypo-Bank), cleared $4.4 million on about $6 million in capital.

ABD now accounts for 30% to 40% of the Boston exchange's total volume. In 1976 the exchange named Schmidt-Scheuber as its chairman—the first foreigner to hold that position on any American exchange.

Being on a regional exchange has its advantages for ABD. "Big volume orders can be spread out over a number of regional exchanges," Schmidt-Scheuber says. "That minimizes the impact of a single block, and it's less likely to be noticed than when it takes place on the broad tape." Moreover, he says, "Through commission trading arrangements, we have been able to do business with the NYSE at favorable rates. And when we execute orders out of New York, we don't have to pay that New York State transfer tax."

Apart from that, Schmidt-Scheuber has nothing against doing business in New York. He now has his headquarters there, just off Wall Street, and he also maintains an office in Boston. When a Wall Street firm went broke, he got the space for $9.50 a square foot in a market that gets nearly $20 these days.

At their own game

Unscrupulous bond dealers, the sort who used to assault unsuspecting retired farmers and doctors with dubious investments over WATS lines from Memphis and Ft. Lauderdale, are at it again. But now the victims are financial institutions that ought to know better, and the securities are Ginny Maes and others of impeccable quality. What's happening is that institutions such as credit unions, savings and loans and pension funds trading these securities are paying too much when they buy and getting too little when they sell. Moreover, some dealers and customers can't deliver because of inadequate capital or improper procedures, because of unmargined forward commitments. So the cry is out for federal regulation. Back in 1971, Lee A. Pickard was special counsel to Chairman William J. Casey at the Securities & Exchange Commission. These days, as a lawyer in private practice in Washington, he is working to head off such regulation from the commission.

As lawyer for the Public Securities Association, Pickard is trying to develop a system of self-regulation that will encourage institutions to deal only with members of the association. He hopes that PSA Government Inc., the vehicle he is setting up, will get some kind of

Washington lawyer Lee A. Pickard
Bringing order to a disorderly ma

"endorsement" from GNMA an other government issuing age There will be no statutory conn between PSA and the federal age But Pickard thinks that it will be ble, through "indirect government sure," to force the marginal and right crooked dealers out of the ness—for lack of the seal of ap implicit in being a member of th posed self-regulating organization.

Is Pickard in a conflict of interest ex-SEC man? No, he says, because of what I'm doing doesn't require tionship with the SEC or at least the areas I was regulating."

If Pickard can help PSA bring self-regulation plan, the result may far-reaching implications for oth pects of business and finance not re ed but in need of some standards nancial and procedural responsi Pickard sees his plan as functi somewhat like the stock exch with capital requirements and rules and regulations, but with on difference: Members won't come the aegis of the SEC or any govern agency they aren't now involved w

The 40-year-old Colgate Universit Harvard Law School graduate think PSA group offers the legitimate hou the business their best chance to sta of the clutches of the bureaucrats

Right now the government seems holding off until the PSA group get operation. But Big Brother is watchi

e Working Trees: ss of 2020.

me the seedlings in our tree nursery productive "working trees," America ire more than twice the wood fiber oday.

nce doubling our land resource is impossible, Potlatch has turned to eans to satisfy future demand.

ne of the ways we plan to increase through genetically-improved trees. any seedlings in our nursery originate rents" significantly superior in lesirable characteristics. Such traits ombined and enhanced through nd crossbreeding.

ur objective is to develop trees with owth rates, fiber quality and insect ase resistance.

better class of working trees will get the most out of the land under our ve control.

otlatch Corporation, Public Information .O. Box 3591, San Francisco, CA 94119.

otlatch

We grow the working trees.

Faces
Behind The Figures

Learning for dollars

The recent scandalous revelations about colleges peddling spurious student visas to foreigners have caused some of the ivy to wither. But that does not seem to have affected other once marginal schools that are not merely coping with the age of dwindling enrollments but are actually thriving. Consider Dr. Frank W. Welch, president of Lincoln Memorial University in Harrogate, Tenn. and Donald E. Ross, president of the College of Boca Raton in Florida. Each one found himself running a near-defunct, small, private institution with no chance to survive doing what it had been doing. Each man threw out irrelevant curriculums designed to lure a kind of student who was no longer applying, and each turned to his local community for an effective new direction.

When Frank Welch came to Lincoln in mid-1973, the school was in the throes of identity and financial crises. After surviving much of the post-World War II era as a backup choice for liberal arts students mainly from the Northeast, Lincoln began losing students and money.

Welch, a sociology and theology teacher with a Ph.D. from Florida State, decided that Lincoln's future depended on what it could get from and do for its corner of Appalachia. The answer lay in changing just about everything. To halt the deficit, Welch put off maintenance and froze salaries. He antagonized the educators by replacing tenure with contracts.

Then he drew a circle with a 100-mile radius around the school and set out to "create a program and a market approach" for the people who lived inside the circle. Out went the liberal arts curriculum and in came community needs. Since strip-mining is one of the major regional industries, Lincoln now offers a program in mining and reclamation. Health needs of the poor are served by an extensive nursing program.

Welch's own aggressive student recruitment led to a program for training college recruiters. State schools need students to get state money, so Lincoln trains recruiters for its neighbors.

Its own admissions policy is simple: Any high school graduate who applies will probably get in. The average age of Lincoln's student body is 26, considerably above the average of 20, but that reflects the on-the-job, working-class nature of its students.

Lincoln, says its 39-year-old president, will "offer a course in a curriculum anytime, anywhere, for anybody if it pays." That includes a program at Brush Mountain Prison, the present address of James Earl Ray. And if you want to have a party or a wedding reception, Welch will rent you the hall and sell you the food and drinks.

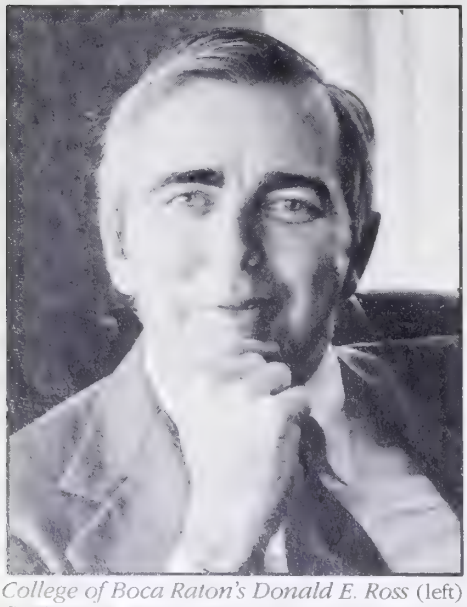
When Marymount College, founded in Boca Raton as a two-year school for Catholic girls in 1963, went bankrupt in 1971, Donald E. Ross, then president of Wilmington (Del.) College, came down to buy the school's library. Before he went home, Ross worked out an affiliation in which Wilmington took over the debt, and he began commuting between the two schools.

But the weekly 2300-mile haul got to be too much, and Ross opted for Florida. He changed the name of the school to the College of Boca Raton made it coed and began looking for ways to sell its output to local employers, chief of in those days was IBM. Since thei mens of Germany, Mitel of Cana ITT North Electric have located ele ics plants in the nearby Arvida ind park. And Ross' college will p them with graduates from its new tronics engineering technology pr In fact, the heads of these and employers sit on a board with meeting every three weeks to what's working and what isn't. process, Ross says, "they also fir how little teachers make, and that us get money." Employers also p lab equipment and seed money.

The 38-year-old president talks "hands on" training, which exte making beds and waiting on tabl students in hotel-motel manage another obvious local employer tie a school in a resort area. Recent was even musing about a progr marina management.

A year out of Hofstra University a degree in communications, Ross became dean of students at Long Is New York Institute of Technolo 26, he took over at Wilmington, has been in the business of higher tion at small colleges all his workin Unlike academics who move up ministration, he is not encumber tradition. So Boca Raton teaches arts because technicians become m ers and need some.

In the world of Lincoln and Bo ton, if it doesn't work, it doesn' Welch and Ross can probably b seen as members of a new class of tional entrepreneurs. The big priva state universities and a lot of s ones, they feel, will serve the tradi functions of scholarship and aca teaching. What they are doing is s an equally respectable product to demand, not a hope. ■



College of Boca Raton's Donald E. Ross (left) *and Lincoln Memorial University's Frank W. Welch*
College is more than bricks and mortarboards; for some, it's a business.

Peabody: The First Ten Years.

The Peabody Idea

body's consistent growth has fol-ed a plan conceived in 1969. That n was based on the idea that the ld can have more energy and less ution.

t is an idea that works. In 1969 es were $24 million; in 1978, over 5 million. The compound annual e of growth in earnings in the past years has been 33%.

The company achieved this growth ough a balanced participation in rgy and environment in five re-ed disciplines:

1. Oil Field - 17% of total

ce 1972, when Peabody entered market for reconditioning and sale il field pipe and surface equip-nt, earnings in this sector have wn sevenfold.

During 1978, the company was ticularly active in expanding oil activities in exploration, secon-y recovery and technologies for roving well yields—all high priori-in the drive for stepped-up domes-il production

2. Testing - 14% of total

body has the world's foremost mpetence in industrial testing. ndustry recognizes testing as an ctive means of ensuring quality reducing the need for expensive duct recalls.

Growth is anticipated in nondes-tive testing relating to large rgy projects, oil refineries, pipe-s and coal production

3. Air - 29% of total

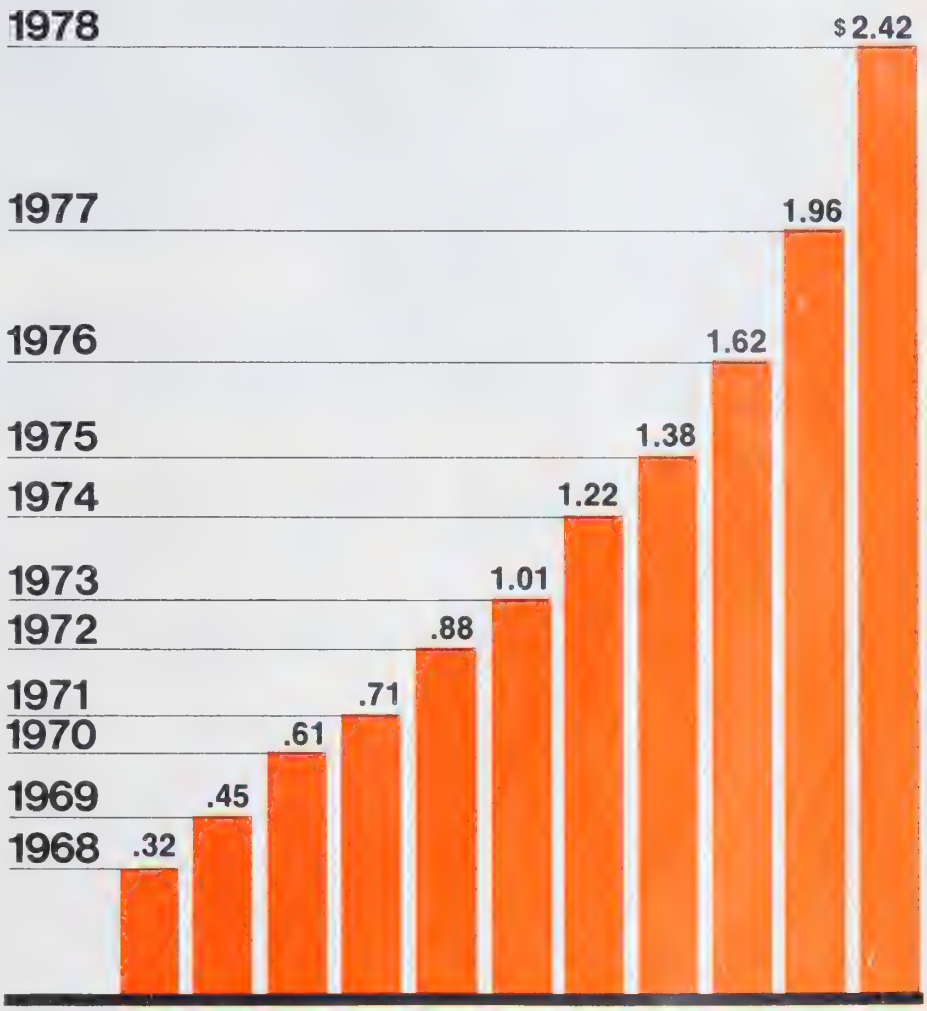
body handles both ends of the nbustion process, the leading se of air pollution.

For the front end, Peabody's APR ner is the most modern and clean-ning in use today.

For back end air cleaning, Pea-y's full range of technologies ove emissions at utility power nts and industrial facilities.

4. Water/Fluids - 19% of total

body's initial emphasis was in nicipal and waste water treatment. Now, the company's capabilities er the moving, handling and stor-ing of nearly all kinds of liquid or gas, including hostile and toxic fluids.



Net Income Per Share

Restated for 5% stock dividend paid Dec. 31, 1978

5. Solid Wastes - 21% of total

Peabody's profitable base as a manufacturer of equipment for the collection and handling of solid wastes has been strengthened with a new line of rear-loading refuse collection bodies and high-compaction front-loaders.

The Next Ten Years

The company's continued, steady growth in energy and environment is linked to three, interconnected trends: 1) the intensifying global search for energy to meet rising demands; 2) increased worldwide emphasis on safety and environmental control in every step of energy production; 3) the dramatic push for better fuel yields.

That's Peabody's combination for the next ten winning years.

To learn more,
write for our tenth annual report:
Peabody International Corporation
4 Landmark Square,
Stamford, CT 06901.

Peabody
Energy | Environment

You look like you just heard from Dean Witter.

Today, it takes a lot to make an investor happy.

It starts with a full-service investment firm that real fulfills your needs. And people trained to recognize the

That's why, at Dean Witter, one of the biggest investments we make is in our people.

To begin with, we're much more than just stockbrokers. Which means we can advise you about your total financial plan.

And something else you should know is that Dean Witter account executives aren't alone when they work for you. We back them up with a complete team of financial experts. Experts whose knowledge covers everything from general business and economic trend to options, to commodities, to insurance.

But we don't stop there. Since holding onto your money is as important as making it, we offer a full rang of tax-saving programs, too.

It all adds up to a financial plan that's tailor-made f you. Because today, more than ever, we feel that each investment portfolio should reflect the needs and aim of the investor it was created for.

How do you feel when you hear from Dean Witter? Your smile gives you away every time.

DEAN WITTER REYNOLD

One investment firm
you'll be glad to hear from.

MONEY & INVESTMENTS

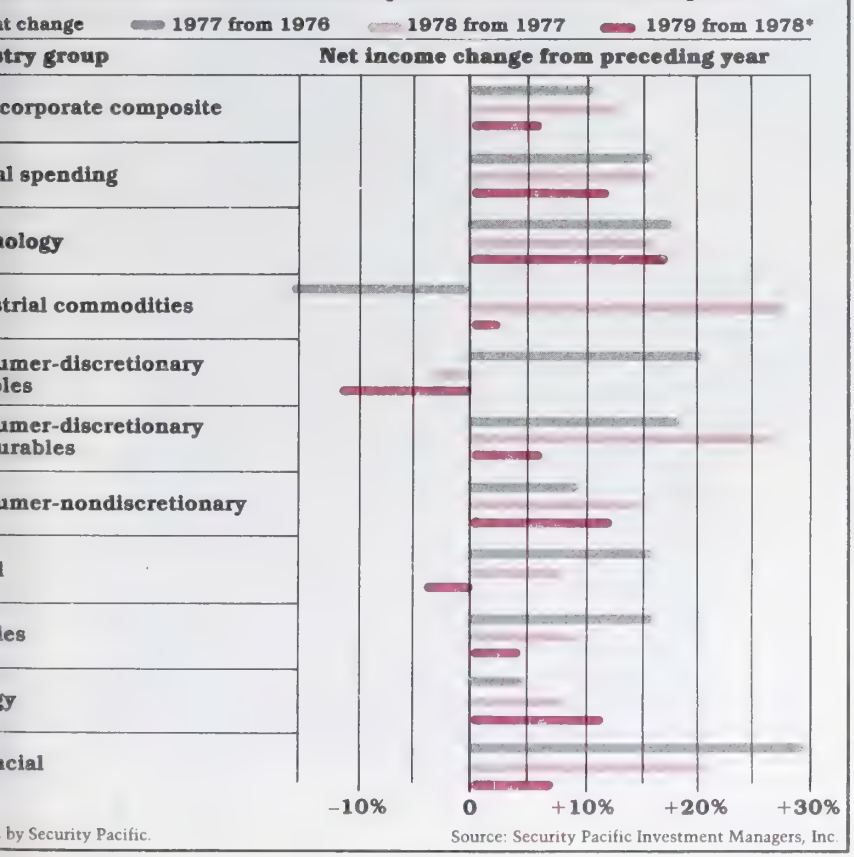
Riding winners

RECESSION of some kind *almost* with continued high inflation certain and with the world oil n frighteningly *un*certain there eem to be good reason to shun Yet the fact remains that a good companies are going to report arnings gains for this year—oil, recession and inflation notwithstanding.

Which will be the gainers? Security Pacific Investment Managers, Inc., a West Coast investment adviser, has come up with some good projections. Its analysts start with a conventional macroeconomic scenario: a tiny gain (1.6%) in real gross national product; an inflation

The winners and the losers

's ahead for corporate profits this year? Security Pacific Investment agers Inc. looks for an average gain in net income of 6.3% for the 500 panies included in Standard & Poor's average. But that's *average*. Within roup, there will be some big winners and some big losers. SPIM looks for ains among energy and technology companies, declines among producers dustrial commodities such as forest products and chemical companies.



by Security Pacific.

Source: Security Pacific Investment Managers, Inc.

The Economy

rate of 8.1%; an overall gain in corporate profits before taxes of only 2.4%—the latter much less than the inflation rate. Not a very pleasing prospect. Then SPIM divides the 500 stocks in S&P's index into ten economic sectors. Surprisingly, in spite of its not very cheerful overall predictions, SPIM sees excellent net income gains for some industries.

The adjoining chart shows that of the ten industry sectors, five will be better than average: capital spending, technology, consumer nondiscretionary spending, energy and finance. In this period of economic slowdown, for example, SPIM estimates have GE profits rising 7%, ITT's 10.5% and Emerson Electric's 11% in the capital outlay category.

Energy should do especially well in 1979, SPIM thinks. Profits of domestic oil producers should move from a below-average gain of 9.4% in 1978 to a 12.1% gain in 1979. International oils' will pick up 10% after last year's dismal 3% gain. Among the internationals, Exxon's profits will rise 10%, with Texaco up 8%. The domestic producers' profits will look even better, rising 13% for ARCO and 14% for Continental.

Automakers had a 6% drop last year and for this year the group should end up with a profit plunge of 23%, according to SPIM. General Motors earnings should be off 20% and Ford, down 20% to 25%.

Earnings in consumer durables—that includes housing, autos and apparel—are heading down. The discretionary nondurable group—cosmetics, leisure, photo equipment and soft drinks—would do well but for a 26% drop in airline profits. The third consumer sector—companies making staples like drugs, foods and soaps—look good.

The stock market, of course, does not always follow earnings, nor does it *only* follow earnings. It also reacts to news—little of which has been good lately—and sometimes discounts things in advance—such as turnarounds or turndowns. But in the long run earnings are what count. Therefore, you might well ask yourself: Is my portfolio aligned with the earnings probabilities for 1979? If it isn't, you might want to do some shifting and adjusting. ■

This is not the time to sell out your AT&T debentures to reinvest in six-month savings certificates.

GO LONG BUT BUY QUALITY

By Ben Weberman

YOU DO NOT have to be a hopeless optimist to see that interest rates are already high enough to bring the economy under control and to prevent inflation from escalating even further. To follow a radical prescription and push interest even higher would only bring about a deep recession. It is now only a matter of time before the already tightened brakes bring the economic vehicle if not to a screeching halt at least down to a controllable rate of speed.

Hence my belief that long-term bonds are a good buy. Look at those U.S. Treasury 8¾s of 2008. They are currently priced at 96¾ to yield 9.05%. Sure, you can do better temporarily in short-term money market instruments at 10% to 10.5%, but by going long term you lock in yields to maturity which—unless all the rules are off—are historically high.

Of course, one could do even better by sacrificing quality. But why should you sacrifice quality when you can get over 9% on the highest quality security that exists?

The differentials between top-quality and lowest-acceptable investment-grade taxable bonds are narrow by historic standards and do not compensate adequately for going into lower-quality investments.

So this is not the time, for example, to sell out your AT&T debentures to reinvest in six-month savings certificates. What would you do six months from now when short-term rates drop? Money market certificates will then be rolling over at a rate closer to 8%—maybe lower—while the bonds you buy today will continue to pay 9% or 9.6% (depending on issue) for as long as they are outstanding. The consequence is that today's 10.25% short-term rate may be tomorrow's 8% short-term rate. Today's 9% Treasury bond purchase will continue to pay 9% into 2008 and the Bell subsidiary debenture will pay 9.6% to 2014 (unless it is called for redemption at the company's option after 1984).

Within the Treasury sector, I now believe that the longest issues hold the most promise. The yield curve, from shortest maturities to the longest, is relatively flat. A few months ago rates of return on Treasuries rose from low levels for a three-month bill to a peak in the four-year range and then settled back to lower long-term yields. Today a three-month bill pays 9.75%, a one-year bill—the peak of the curve—pays 10.3%, and longer-term maturities slope downward very gradually to 9.05% at the long end. I would rather have a 9% long-term bond than a 9.3% four-year note or a 9.2% eight-year note.

My advice to the manager of the big portfolios—those of multimillion-dollar size—is somewhat different. Because I think that rates will remain high for the next month or two, I would not use all my reserves to buy the long bond but would place some funds out in long issues and some in the eight-year sector. The appreciation potential is substantial for both securities as rates decline.

Several months ago, when I was urging caution, I suggested purchase of the four-year note as the one holding most attraction for current yield and for price appreciation. These notes moved to a large gain during the January bond rally. The rally was premature but it did demonstrate how fast the market will move and how far when the turn really does arrive. The 9¼% notes due May 15, 1982 were trading at 99⅝ to yield 9.38% at the turn of the year. By the end of Ja they had gained in price to 101 8.9%)—a tidy profit, as bond p go. They are now back to 100 an buying range again—except tha eight-year 9s of Feb. 15, 1987 (yield 9.15%) look like a bette and the 29-year 8¾s of Nov. 15, at 97 (yield 9.05%) look best.

Corporate bonds of highest q don't carry enough of an increm yield to say that they are outsta investments relative to Treas Furthermore, the ability of most c rations to call their debt issu redemption after only five or ten means that you would lose the gen income if rates fell sharply. Is would exercise their options to p the bonds well before final matu

If you want to get into the corp bond sector in order to get yi think the Pacific Telephone & graph 9⅞s of 2016, priced to about 10.5%, are a better buy tha South Central Bells selling to 9.66%. There is considerably g risk in PacTels. The company v under a tough public utilities con sion in California, which has set dards that threaten PacTel's ac ated depreciation and investmer credit cash savings. The commi has set rules that could force the pany to refund over $1 billion t tomers on intrastate charges. Al in the face of a $2 billion capit pansion program this year. The r agencies consequently have cut quality ratings to A, in sharp co to the AAA carried by most othe subsidiaries.

The difference in yield betwee Tels and South Central amoun .9%. The extra return enhance attraction of the PacTels issue en to cover the risk.

I would avoid issues like Ge Power 10½% bonds of 2019. T debt securities have been ste downgraded until they now are Baa by Moody's and BBB by Sta & Poor's. Why? Because the s regulators seem little inclined to rate increases commensurate wit ergy cost increases without a battle. The 10.8% yield now avai to new purchasers of the bonds i worth the heartaches and head sure to come.

Stick with the best and the s and go out a little longer in mat in order to hold on to the gen interest payments for as long as p ble. The spread into lower quali not worth the risk. ■

Ben Weberman is economics editor of FORBES *magazine.*

ake a closer look at America's newest illion-dollar telecommunications system.

lo ad can give you all the rmation you need to eval- a dramatically growing pany.
Iany times, though, an ual report can.
hat's why we'd like to you ours. We're United com, operators of United phone, America's third est telephone system, ed Computing Systems North Supply Company.

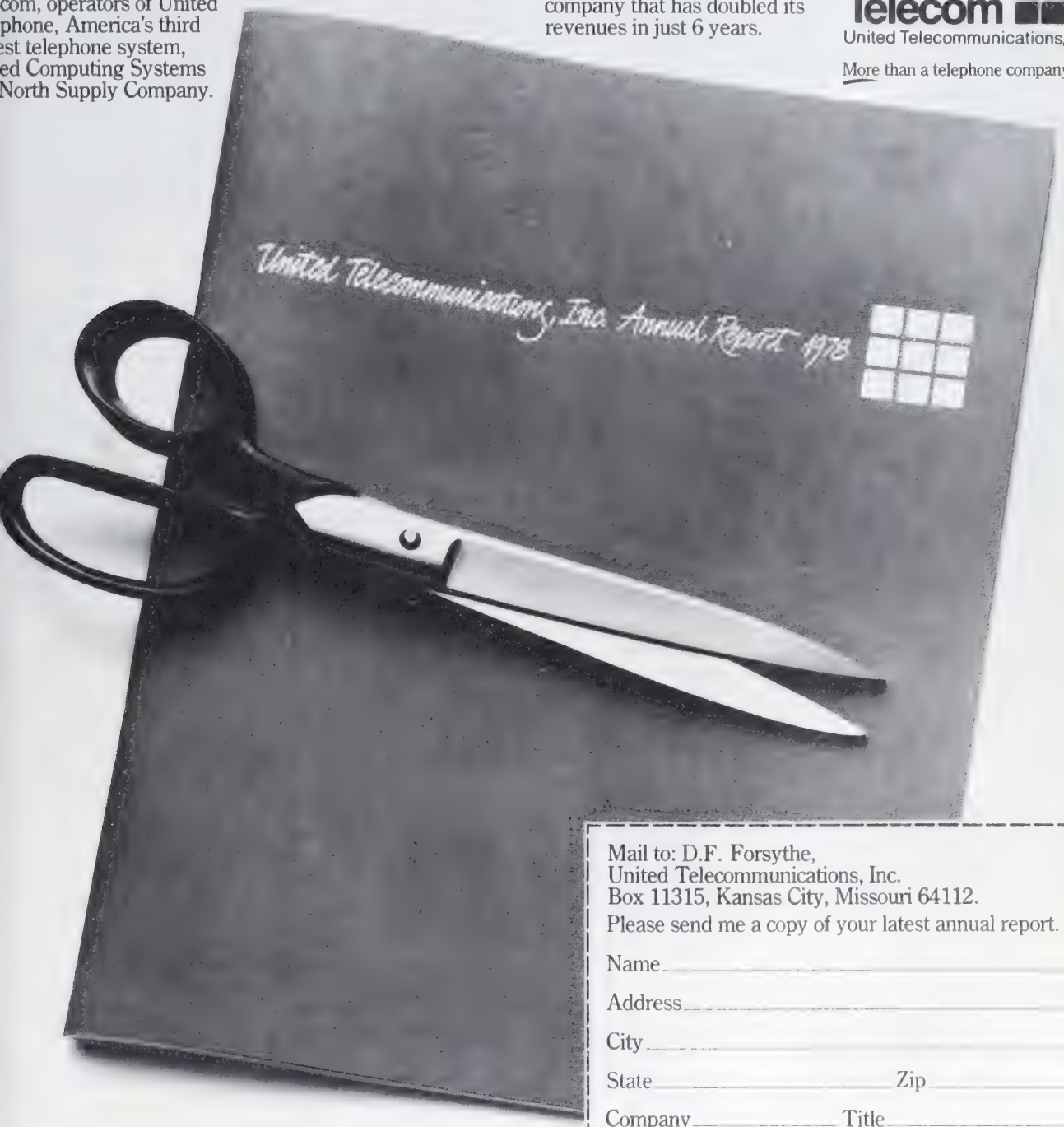
While we can tell you here that United Telecom is America's newest billion dollar telecommunications system, our annual report can tell you how it happened.

It will also give you some insight to our astonishing growth from $130 million in annual revenues in 1966 to more than $1.4 billion today.

And best of all, it will give you an in-depth look at the people behind one of the major telecommunications companies in America—a company that has doubled its revenues in just 6 years.

Send in the coupon today. We'll have our annual report on its way to you in no time.
An affirmative action employer.

United Telecom
United Telecommunications, Inc.
More than a telephone company.



Mail to: D.F. Forsythe,
United Telecommunications, Inc.
Box 11315, Kansas City, Missouri 64112.
Please send me a copy of your latest annual report.

Name_____

Address_____

City_____

State_____ Zip_____

Company_____ Title_____

New York Stock Exchange symbol: UT. Newspaper listing: UniTel.

Merely because the market has been calm, it would be false to assume that it has acquired immunity to unforeseeable *events.*

MARKET DEFIES MURPHY'S LAW?

By Heinz H. Biel

IT HASN'T BEEN much fun lately to read the newspaper. One gets the impression that everything that could go wrong did go wrong. Foreign affairs, the forte of the Nixon/Kissinger era, has been dominating the news in recent months. Except for the short-lived elation over the Camp David accord, it has all been negative. Mr. Teng's visit was hardly a diplomatic achievement, particularly in view of China's signs of belligerence.

I was not particularly fond of the Shah, but his oil was good, and the business relationship with Iran (and Taiwan, too) was a lot more desirable than exporting to a multitude of countries, many of which are quite Red and not very friendly. As we finance such exports with credits granted by ourselves, they don't help our balance of payments one darn bit. Looking around the globe, it is difficult to find a single country that we could regard as a genuine friend. We can't even manage to get along with our neighbors to the north and to the south.

Murphy's Law has also been working on the domestic front. Except for the private sector, things are going from bad to worse. The Administration can hardly take credit for the delay in the arrival of the heralded recession. What is happening is that Americans are beginning to behave the same way people have always done in inflation-ridden countries: spend the money before it loses more of its value and borrow as much as you can get away with. Such practical economics have kept the pot boiling. Of course, this is inherently unsound and likely to end in one big crash, but we'll worry about that tomorrow.

Although the exchange rate of the dollar has stayed fairly stable, thanks to intervention by the various cooperating central banks, the price of gold has shot up to another new high. The upheaval in Iran was the obvious reason, of course, but in the background loom the ugly consequences of a possible oil shortage and inevitably higher prices for petroleum products.

This list of present and prospective problems can be lengthened *ad infinitum*. Yet, *mirabile dictu*, the stock market has taken all the bad news in its stride. Although usually as sensitive as a mimosa, responding instantly to any item on the news ticker, The Street in recent weeks stayed remarkably unruffled in the face of world-shaking events. The simplest and perhaps best explanation is that the market, in its infinite wisdom, had discounted these events. In contrast to the Administration, it was not taken by surprise by all the happenings.

However, merely because the market has been taking things rather calmly, it would be false to assume that it has acquired immunity to *unforeseeable* events, good or bad. The main factors that may sustain it are: 1) the fact that current prices are statistically moderate by just about any standard of measurement based upon the teachings of Benjamin Graham and 2) the lack of suitable investment alternatives.

Colonial Penn Group (20), which I have mentioned occasionally in the past, recently announced that its close relationship with the American Association for Retired Persons and the National Retired Teachers Association will be terminated in 1981. Although this arrangement has been found to be perfectly legal, the numerous investigations, allegations and insinuations have been the cause of mutual embarrassment. Since the company's concentration on the insurance needs of the elderly seems to have been a major reason for its remarkable growth, the impending divorce has had a depressing effect on the price of the stock. Institutional investors hold 38% of the company's stock.

I think that the negativism toward CPG is exaggerated. First of all, the present relationship with AARP and NRTA will continue for another two years. Second, the company's expertise in doing business with the old folks should give it a competitive edge. Nevertheless, I feel that the stock no longer deserves a premium multiple among insurance stocks.

Laymen like myself have always been mystified as to why so many municipal and voluntary hospitals cannot make ends meet, even though they charge many times more for a miserable room and inedible food than the plushest deluxe hotels. The conclusion is inescapable. By and large, hotels have better management than hospitals. This would seem to be confirmed by the fine record of *Hospital Corp. of America* (29), which either owns or leases or just manages well over a hundred hospitals with close to 20,000 beds. It is quite an operation (no pun intended), with 1978 revenues of $797 million. Its operating profit of about 20% is impressive, and should be the envy of the multitude of money-losing institutions that are managed by doctors or politicians, whose competence may lie in a different field than the running of a hospital.

Of course, there is a rejoinder. Private hospitals, it is said, skim off the cream and don't take care of the poor; they don't teach and train; they don't encourage or sponsor research, etc., etc. This could be true, but it may also be used as an excuse for poor management. Anyhow, if you have qualms on that score, no one is forced to invest in the hospital business.

Hospital Corp. of America, now in its 20th year, has grown at an exceedingly rapid pace. Its record is long enough, and its profitability so consistent that it has earned the investor's confidence. With its classic growth-stock image, HSP has attracted institutional investors *en masse*, and they now hold 47% of the total shares outstanding. Nevertheless, HSP now sells at a fairly modest multiple of ten times this year's projected earnings of about $2.90 a share. Dividends, despite frequent increases, still provide only a nominal return, as is to be expected of companies with an insatiable appetite for capital. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

The best way to understand our bottom line is to see our product line.

Beech Aircraft's overall industry ranking from *Forbes* study of America's 1,006 largest corporations.

Growth	29th
Stock Market Performance	34th
Profitability	62nd

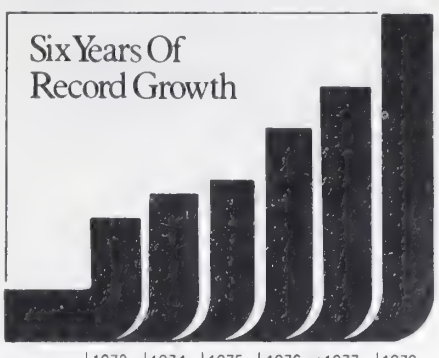
Six consecutive years of record-aking growth in both sales *and* nings. That's the bottom line at ech Aircraft.

And a look up and down our duct line can tell you a lot about t how we achieved this remark-e bottom line.

Because in our products, you'll the kind of quality we're re-vned for. Meticulous. Superb. d refined.

But you'll also see more than ılity in our product line. You'll diversification. We build every-ıg from 2-place, 120 mph train-airplanes, to 300 mph corporate ısports, to supersonic missile gets capable of speeds up to ch 4.

Together, quality and diversi-tion of our products have given he kind of financial soundness few companies in any industry have been able to attain.



	1973	1974	1975	1976	1977	1978
Net sales	$204.6	$241.6	$267.1	$346.9	$417.4	$527.5
Net income	$10.0	$12.4	$15.6	$20.6	$25.4	$35.5
Dividends	$3.1	$3.6	$4.4	$5.3	$7.0	$8.3

All figures in millions

Of course, we know that a wide variety of well-built products alone can't insure success. So we put just as much careful attention to detail, stability, integrity and performance into our corporate design as we do our product design.

It's paying off, as the *Forbes* study cited above shows.

Quality products. Quality management. They both show up on our bottom line.

For our complete growth and earnings story, write for a copy of our annual report to: Beech Aircraft Corporation, Dept. K, Wichita, Kansas 67201.

Beech Aircraft Corporation

Beechcraft

Beech builds quality airplanes. And vice versa.

Financial Advisor
to
Business Owners
and Executives

Kanaly Trust Company
National Pioneer
in Financial Counselling

4550 Post Oak Place
Houston, Texas 77027 713/626-9483

Experience.

One of six good reasons why you should consider Penn Square.

For more complete information including management charges and expenses, please write or call for a prospectus and our pamphlet, **"Six Good Reasons".** Read it carefully before you invest or send money.

Call Toll Free:
800-523-8441
(In Pa. call collect: 215-376-6771)
Or Write:

Complete and mail to address below

Name _____

Address _____

_____ Zip _____

PENN
Penn Square Mutual Fund
P.O. Box 1419, Dept. A, Reading, Pa. 19603
A No-Load Fund

Many cults are vast chain-letter businesse not so different from Dare To Be Great.

THE MOONIE GAME

By John Train

ONE OF MY client families had a dreadful experience some years ago: Their son was captured by a cult with a headquarters near his college. They haven't been able to reestablish contact with him since.

Most Americans now have some relative or friend who has undergone a conversion or sudden personality change—who has been "born again," whether into Krishna Consciousness, Scientology, TM, the Moonies, or something more sinister. Many of these cults are, among other things, vast quasi-chain-letter businesses, not so different from *Dare To Be Great*, whose executives make very good money indeed, and whose proprietors are real tycoons, with palaces, harems and company planes, a montage of Dale Carnegie, the Rolling Stones, Hugh Hefner and Bernie Cornfeld.

Indeed, it should be about time for a cult franchise industry to arise, with trade shows and magazines that offer to set you up in business:

> **OPPY FOR EXPD SWAMI**
> To license desirable territory, growing successful cult. Must have good track record. Sound equipment supplied. $10,000 investment required—easy terms.

Snapping, a new book by Flo Conway and Jim Siegelman (Lippincott, $10) describes the characteristics of this epidemic and the techniques of what I suppose can properly be called the cult game.

The first contact with a potential convert is often made through a casual notice on a college bulletin board, a pamphlet, or an advertisem Scouts approach apparently confu young people at bus or railroad tions or near military installati and invite them to a low-key disc sion group.

At the first meeting the visito often given a sense of the group's terest in him, and perhaps a sign personal concern or affection by local leader, who is likely to convey air of spiritual power. The visitor, trigued, returns.

In later visits the potential recru subjected to "love-bombing"—an undation of demonstrative affecti He is taken to a retreat, often a fa sometimes without being told tha is owned by the cult, and put un increasing pressure to submit. visitor may be deprived of sleep continuously surrounded by pers sive talkers. He experiences a serie epiphanies ("encounter highs") eventually becomes permanently *alté*. His ills and concerns fall away does his capacity for independ thought.

Quite often, at the moment of c version he feels energy tingl through him; he enters a trancel state and has the illusion that his b is being sprinkled with water.

As he falls further under the lead eloquence and discipline and group's enfolding doctrines and uals, he finds, through acceptance a deluded certainty, a new bliss.

Hours and hours of chanting or c centrating on mantras, day after d engender a disoriented and susce ible state in the victim.

The authors of *Snapping* sugg that they alter the brain's pattern perception and information stor and establish new ones. In ot words, there is an actual neurolog transformation in the brain. Perha In any event, the change inside head of the cultist convert is ea recognized by his family and for friends through his changed facial

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

ion and, of course, his new ideo-
al bag of tricks. (The sense of
or is an early casualty.)
e initiate, once solidly hooked, is
induced to deed much or all of
roperty to the cult. He is given
assignments, either directly for
ult or to make money for it on
de jobs. Often he in turn be-
es a proselytizer.
e KGB recruiters, female cult
bers are sometimes sent out to
new recruits or contributions
gh seduction, using systematic
ps through bars, discos and such
s. Persistent cultist fund collec-
(sometimes pretending to repre-
a traditional religious sect) occa-
lly attack and beat up reluctant
rs, doubtless under pressure for
r results from their higher-ups.
t as among the Viet Cong, some
e more ardent religious sects and
munist groups, autocriticism of-
lays a cardinal role in cult disci-
. Members confess their errors
e the group and accept punish-
meted out by the leaders. The
rol gets tighter and tighter. Po-
al defectors are often threatened
death, and their families and old
iations depicted as devils.
gies and drugs are sometimes
part of the process, to break
the victims' traditional ideas,
aints and individuality, and to
e a new deluded group reality.
Manson Family, among many
s, employed both.
metimes the cults develop crimi-
idelines to the basic chain letter
ness, as mentioned in another re-
able book (*Spooks*, by James Hou-
William Morrow & Co., $12.95):
Brotherhood of Eternal Law, a
ornia drug cult that resembled a
underground pharmacy, was
d to have been responsible for the
ufacture and distribution of near-
lf the illegal LSD available during
960s."
brainwashing (or deprogram-
) has arisen as a counterindustry,
with squalid overtones, like di-
e investigating. It usually in-
es head-on confrontation by an
rt who knows the cults' sacred
and inner machinery better than
victim. (Jesuit interrogators of
ics used the same technique cen-
s ago.) With luck, the victim in
course "unsnaps," and then, in a
or so, returns to a kind of normal-
when he can once more reason for
elf. If not—best not to think
t it. ■

HIGH INCOME TO HELP OVERCOME INFLATION'S NASTY STING.

Wise investors are making a beeline to Fidelity Aggressive Income Fund. In double digit times like these, it's a very sensible move.

The Fund seeks high income from corporate bonds rated (by pure coincidence) BBB or lower and from unrated issues. Our full-time management considers each an "underrated" opportunity with management strength, sound earnings potential or other positive attributes.

To further fight inflation, there is no sales charge for The Fund. There is an attractive free compounding option.

You'd be smart to learn more today. Return the coupon or give us a buzz.

CALL FREE (800) 225-6190
In Mass. Call Collect (617) 726-0650

FIDELITY GROUP
Over $4 billion of assets under management.

P.O. Box 832, Dept. JB 031979
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____

Address _____

City _____ State _____ Zip _____

Retirement Plan Information:
Keogh ☐ IRA ☐ 403B ☐

FIDELITY AGGRESSIVE INCOME FUND

Wise old saying—

"REACH FOR HIGH INTEREST RATES BUT KEEP YOUR MONEY WITHIN REACH."

CD's are fine for some purposes, but not for liquidity. Six months can be a long time in a fast-changing world—not to mention six years.

Let us help you obtain the best of both worlds—

HIGH INCOME AND LIQUIDITY.

Toll-Free Telephone Redemption • Free Check Writing

ROWE PRICE

PRIME RESERVE FUND
A No-Load Money Market Fund

Call toll-free 1-800-638-1527. If busy, or in Maryland, call 301-547-2136 or write Prime Reserve Fund, 100 East Pratt Street, Baltimore, Maryland 21202.

A-6

Name Address

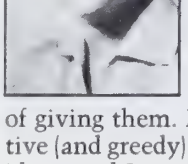
City State Zip

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

Results of an investigation—seven stocks that look like possible winners.

ALL AMERICAN BEAUTIES

By Ann C. Brown



ONE OF THE beyond-the-fringe benefits of being a FORBES columnist is hearing from readers all over the country. While most letter writers seek advice, every so often I find myself receiving stock suggestions instead of giving them. My naturally inquisitive (and greedy) mind delights in new ideas, and I try my best personally to check out all the companies. Over the past month I have been unusually busy scrutinizing and screening a bumper crop of intriguing situations. Here are the results of my investigations—seven stocks that look like possible winners. Take your pick.

Representing Oklahoma City is an outfit called *Woods Petroleum* (28), an oil and gas driller that has had two recent and sizable gas discoveries to add to the many producing wells drilled over the past few months. One of my best analyst sources looks for Woods Petroleum's earnings to grow 30% to 40% a year beginning about mid-1980. This year he estimates earnings in the area of $3 per share. There is some thought that the company might entertain a takeover offer, and if this proves to be the case, $40 to $45 per share does not seem to be an unreasonable price at this time. However, painful experience has taught me never to buy any company strictly as a takeover candidate. If a takeover should happen, it happens. If it doesn't, it's nice to have the comfort of growing earnings and the likelihood of dividend increases.

Great Lakes Dredge & Dock Co. (34) from Oakbrook, Ill. could be a dark horse. The company reported incredible earnings of $7.79 for 1978, up from $4.40 in 1977. What I know about dredging you could engrave on the head of a pin, but I do know that the company competes for contracts with the Army Corps of Engineers, and there is a move afoot to turn over more and more of this currently government-funded work to private industry. Should this actually come to pass, Great Lakes Dredge could earn over $10 a share in the not too distant future. With a current yield of 8.2%, the stock appears to have limited downside risk and attractive upside potential.

One of the prides of Wisconsin must be *G. Heileman Brewing* (30). Over the past few years, the company has swallowed up numerous bakery and beer concerns at a chug-a-lug clip. Earnings have kept pace, too—rising from $1.27 in 1974 to an estimated $5.50 for 1979. The dividend has more than doubled during the same period. What's important here is that Heileman Brewing seems to be able to tackle successfully the likes of Miller and Anheuser-Busch. Indicative of this is the fact that the company sells more beer in Chicago than the next *three* brewers combined. With the officers and directors owning less than 3% of the stock, Heileman's main worry would appear to be avoiding a company with a bigger thirst for acquisitions than its own.

Any company whose address is Beaverton, Ore. can't be all bad. In the case of *Pay Less Drug Stores Northwest* (18) it can be very good. In addition to Oregon, this high-volume/low-margin drugstore chain does business in California, Idaho and Washington. The latter state is noteworthy because Pay Less Drug NW is a big operator in Seattle, which makes it one of the logical beneficiaries of the Boeing boom. With the aircraft manufacturer slated to hire thousands more employees, Pay Less Drug NW should be able to sell a lot of pills and sundries expanded work force and its far The company's earnings hav creased steadily from 53 cents i to $1.92 for fiscal 1978. For th ended this past January, $2.25 possible. I'll hazard a guess of $2 so for fiscal 1980.

From California comes *Impel* (19), which is involved in the industry mainly through the se it provides to nuclear power p The company is on a September year and has announced earni 45 cents for the first quarter cents last year, or better than increase. For the fiscal year whole, $1.95 seems attainabl from $1.46 in 1978. The st closely held and traded ove counter. Use caution when b There just isn't that much for s

Texas is always twice as big erything, including stock sugges Dallas boasts *Overhead Door* while Houston is hot on *Geo Inc.* (28). Overhead Door is the manufacturer in the U.S. of sec garage doors and electric operat same. It also makes all manner er doors used in commercial an dential building, in addition to of doors for trucks and trailers. substantial increase in constr spending anticipated over the several years, Overhead Door see a continuance of its exc recent earnings growth. In 19 company earned 85 cents per and earnings estimates are $3 $3.35 per share for 1979.

The thing that caught m about Geosource Inc., besides i pressive earnings record, is th that the company has alrea ceived an order from China f million worth of geophysical ment. The basic idea of Geo Inc. is one-stop shopping. In words, the company offers an grated package of oil and gas se and hardware so that its cust don't have to buy a little bi and little bit there. This c should prove to be especially p with foreign purchasers, ma whom have neither the faciliti the expertise to choose and c nate different items from di suppliers. Earnings per share ha creased without interruption fr cents in 1973 (September fiscal to $3.15 in 1978. Looking Geosource could earn anywher $3.50 to $3.65 this year and $4 more for fiscal 1980.■

Ann C. Brown is executive vice president of the New York investment firm of Melhado, Flynn & Associates.

ow VALUE LINE can help you detect . . .

STOCKS WITH "SHAKY" DIVIDENDS

. . . as well as those with relatively "safe" dividends

If reliable dividends are important to you, we suggest that you carefully check every stock that concerns you right now against Value Line's specific measurements of relative *Financial Strength* and *Safety*. In view of the newly emerging uncertainties, it might be well to do this without delay.

Value Line systematically covers more than 1700 companies and their stocks (which account for about 96% of total dollar trading volume in U.S. equity markets). The coverage includes ratings of each company's *Financial Strength* relative to all the other companies, as follows: **A++ A+ A / B++ B+ B / C++ C+ C.**

The higher the rating, the better is the company's overall capability to finance growth, find external financing if needed, weather heavy financial storms without serious difficulty . . . *and pay dividends.*

If you're looking for relatively safe dividends, focus on the stocks of companies rated B++ OR HIGHER by Value Line for relative *Financial Strength.* Avoid companies rated C++ OR LOWER. Their dividends could be relatively shaky.

IECK SAFETY TOO

Value Line also ranks the 1700 stocks under regular coverage for relative investment *Safety,* from 1 (Highest) down to 5 (Lowest). Note that the *Safety* of a stock may be questionable—say, for instance, due to sharply diminished growth prospects—even though the *Financial Strength* of the company may be superb. The two factors are related but not identical.

The *Safety* rank also reflects a stock's price volatility. The more intense the fluctuations, the lower the *Safety* rank. Income-minded investors rarely feel at home with roller-coaster stocks, even if they sometimes provide interesting yields.

If you want secure dividends, concentrate on stocks ranked 1 (Highest) or 2 (Above Average) for investment *Safety* by Value Line. Avoid stocks ranked 4 (Below Average) or 5 (Lowest).

The combination of superior *Financial Strength* and superior *Safety* should provide you with far greater dividend security and reliability than would investments rated poorly by Value Line on these two criteria. But note that—while this approach will fortify your position—there can never be any ironclad guarantees.

ET THE BIG PICTURE

Whatever you want from stocks, The Value Line Investment Survey provides you with a very large universe of relative values to help you make the best choices. Certainly the 1700 stocks under regular review include virtually every issue that is likely to be of sustained interest to investors looking primarily for dividend income.

With Value Line's comprehensive rankings and ratings, you can also readily see how any stock currently measures up relative to *other* criteria that matter to you. Here's how:

UPDATED EVERY WEEK

Every week, Value Line's regular *Summary & Index* presents up-to-date ratings of EACH of 1700 stocks *relative* to all the others, as follows . . .

a) Rank for Probable Price Performance in the Next 12 Months—ranging from 1 (Highest) down to 5 (Lowest).

b) Rating for Investment Safety (from 1 down to 5).

c) Estimated Yield in the Next 12 Months.

d) Estimated Appreciation Potential in the Next 3 to 5 Years—showing the future "target" price range and percentage change from current price.

e) P/E ratio and current price, plus estimated annual earnings and dividends in current 12 months. Also latest quarterly results against a year ago.

HALF THESE STOCKS OFFER HIGHLY "SECURE" DIVIDENDS

according to Value Line standards outlined in this advertisement. Some of the others may be potentially shaky in this respect

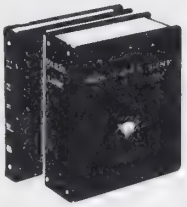
WESTERN UNION	WRIGLEY WM
U.S. INDUSTRIES	SINGER
GENERAL FOODS	U.S. STEEL
UNION CARBIDE	CHASE MANHATTAN
GULF OIL	SEARS, ROEBUCK
REYNOLDS METALS	INT'L TEL & TEL

PLUS FULL-PAGE REPORTS

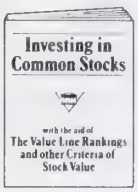
In addition, each of the 1700 stocks is the subject of a comprehensive new full-page *Rating & Report* at least once every three months—including 22 series of vital financial and operating statistics going back 15 years and estimated 3 to 5 years ahead. About 130 new full-page Reports like this are issued each week . . . 1700 every 13 weeks.

SPECIAL INVITATION

You can receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 9 weeks for only $29—about HALF the regular rate if no one in your household has subscribed in the past two years. And you get these 2 bonuses:



BONUS #1—Value Line's 2400-page *Investors Reference Service,* including our latest full-page Reports on each of 1700 stocks... fully indexed and looseleaf-bound for easy reference, and systematically updated by new full-page Reports in the weeks ahead. Filing takes but a minute a week.



BONUS #2—*Investing in Common Stocks* by Arnold Bernhard. Value Line's founder and research chief, revealing methods of stock evaluation that took decades to develop. You KEEP this book even if you return the other material for your money back.

To accept this invitation—mail the coupon today.

The Value Line Investment Survey

516L19

Arnold Bernhard & Co., Inc. • 711 Third Avenue, • New York, N.Y. 10017

☐ Begin my 9-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $315. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $315 (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT NO

CITY

STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid.

Foreign rates on request (NY residents add sales tax.)

This subscription is tax deductible if utilized to aid in the management of your investments.

LARGE POTENTIAL CASH RETURN
from
OIL and GAS LEASES ON PUBLIC LANDS

* * * * *

The United States Department of the Interior (Bureau of Land Management) holds non-competitive public drawings each month to afford all citizens over the age of 21 years an equal opportunity to own oil and gas lease rights on lands owned by the Federal Government.

A $20.00 tax deductible filing fee could return a sum exceeding $75,000.00 immediately, plus an overriding royalty for possible future income.

* * * * *

For further information on how you can intelligently participate in the government sponsored program, contact:

MAX WILSON, INC.

P.O. Drawer 1978—FO
Roswell, New Mexico 88201
Toll Free Number 800-545-7955

TEXAS **UTILITIES COMPANY**

DIVIDEND INCREASED

The Board of Directors has declared a regular quarterly dividend of 41 cents per share on the common stock of the Company, payable April 2, 1979 to shareholders of record at the close of business March 9, 1979.

R. E. FONVILLE
Secretary

Dallas, Texas
February 16, 1979

Electric Utility Subsidiaries:

Dallas Power & Light Company
Texas Electric Service Company
Texas Power & Light Company

Give to:
PROJECT HOPE
Department A, Washington, D.C. 20007

Oil shale does not gush from the groun Getting it requires mining, pulverizing a heating the rock to release the trapped o

LOOK FOR OIL SHALE

By Thomas P. Murphy

JOHN FRENCH, 47, remains an unabashed risk-taker, while most venture capitalists have grown conservative. Appropriately, he wears a little gold horseshoe on his watch chain. Fondling his horseshoe, French told me: "Venture capital means high risks for high gains. Startup companies give you this combination."

Combination is right. You don't get the prospect of high profit without taking high risk. This means that you need not only steady nerves but the patience to keep at the game. French's Research & Science Investors fund in New York flourished from its own startup in 1961 through 1968. Then came the biblical seven lean years. From 1975, French describes his results as "sideways." Never mind, that may be changing. John French figures he may have hit the big one.

Characteristically, it is not the kind of deal most venture capitalists prefer. It goes back, in fact, to the early 1950s even before French's venture fund was formed. At that time he was introduced to a bright, young Australian named Ian McFarlane who was working for the New York investment banking firm of Morgan Stanley & Co., Inc. McFarlane's personal credentials were impressive and, more important, French liked McFarlane and trusted him.

McFarlane told French that he thought there was a place in this world for small deals in mining and petroleum exploration. French agreed with McFarlane, and the two put a group of investors together to back his idea. Was the idea a brilliant success? Alas, it was not. Until recently, it lost money on balance.

Persistence, however, is the n of this particular game, and Fr and McFarlane did not give up. day in the early 1970s, the presi of a big oil company said to Mc lane: "Oil shale. Look for oil sh McFarlane got out some geolo maps of Australia.

Oil shale, you have to underst does not gush from the ground. I petroleum-like product locked in pores of rock, and getting at i quires mining the rock, pulverizi then subjecting it to retorts tha effect, use a heat and distillation cess to release the trapped oil. T are enormous deposits of oil sha our own Colorado Rockies bu commercial production yet. The l tical and environmental problem getting to that oil shale have, s frustrated all efforts.

McFarlane, of course, knew a all these problems, so he wante shale that was near a city, had a able transportation, abundant w for processing and no major env mental objections to mining. found what he was looking for a 20 miles outside of Gladst Queensland on the eastern coa Australia. Surface outcroppings shale had been noted in an area c Rundle since 1900, but no thought of oil shale as having value. McFarlane made his claims then began the slow, expensive cess of test boring to see what underneath. What was undern was a veritable mother lode o shale—high grade and accessible. first area, test drilled near a marsh right on the coast, has p tial petroleum-equivalent reserv at least 2 billion barrels, and ther two other areas nearby.

There it was, but what to do Putting big deals together for o for 25 years gave McFarlane th phistication he needed to put his

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn.

ther. An environmental impact
y was commissioned, approval
the Queensland government was
ved, and consulting engineers
Australia and Bechtel in the U.S.
employed. Meantime, samples
ose core drillings were dispatched
mpanies working on shale refin-
rocesses in the U.S. and to Lurgi-
rgas in West Germany. Tests
the samples showed good yields.
ll it was a world-scale, megabuck
of project. Production of 50,000
els of oil a day requires moving
000 tons of material, and 95,000
of it is overburden or waste. Pro-
ion of crude oil from shale requires
peratures of 530 degrees Celsius in
sed retort, and while shale oil is
g produced in several places in the
d, nothing on the proposed scale of
dle has been tried. Even a 25,000-
el-a-day operation would cost
ething like $193 million to get into
uction, and numbers as high as
000 barrels a day have been consid-
That latter number is a magic one
e it would end Australia's need for
leum imports.

cFarlane turned to his old alma
r for help. Morgan Stanley & Co.
what McFarlane had—so much
hat it uncharacteristically took
instead of cash for its efforts.

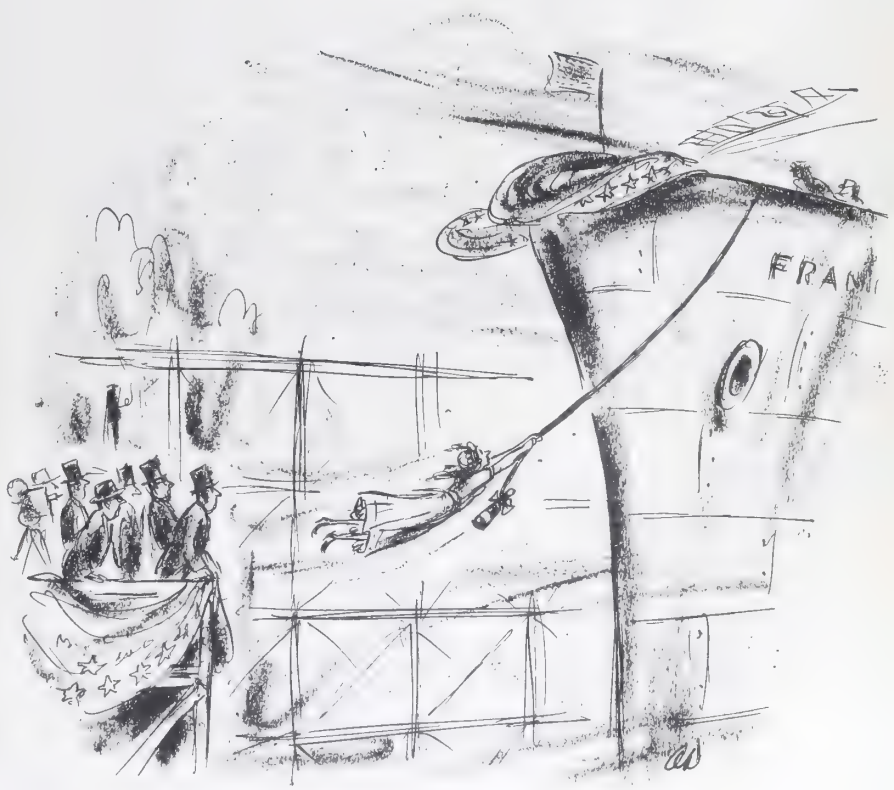
w the deal is being looked at by
r U.S. oil companies and, of
se, the Japanese. The companies,
fect, are being asked to bid on the
and troubles in Iran make Aus-
an oil shale look enticing.

, at last, venture capitalist John
ch may have his payoff. His in-
ment brought him shares of Cen-
Pacific Minerals and Southern Pa-
Petroleum, two Australian com-
es that share ownership of the oil
e. He paid from $1 to $2.50 per
e for his stock in Southern Pacific
leum ADRs. SPP recently sold
26 a share; the stock has been a
swinger in London and Sydney.
even with his 1,000%-plus poten-
profit, French is not selling. Why
Because at $26 a share the stock
ket is valuing Southern Pacific Pe-
um's proven reserves at only 3.5
s a barrel. Crude oil sells today for
and up per barrel.

you are interested in the stock,
broker with a foreign department
get you information. But remem-
this: French had to wait a lean
de before he had any real profit to
for his more recent ventures.
kind of investing is a game for
patient and the nervy only. ■

Zoom!
New ideas, new products
get a great launch right here.
With an audience
that's perceptive, receptive,
responsive, and of course,
affluent. So take that
first step out and up in
The New Yorker.
Yes,

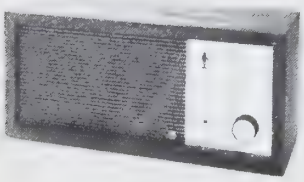
THE
NEW YORKER



© 1952 THE NEW YORKER MAGAZINE, INC.

FOR 100,000 NEW YORKERS, THIS IS A NEWSPAPER.

THE ONLY ONE THEY CAN USE.



It's a radio for the blind and other handicapped. Tuned to a channel not available on ordinary sets. With a program no ordinary radio carries.

It's called In Touch and it keeps them in touch with the world.

Volunteers read daily newspapers, magazines, best sellers. Sales, jobs, TV programs, stock market reports. Everything that helps disabled people stay independent.

If you want to help handicapped New Yorkers, tell them about In Touch.

If you want to help In Touch, contributions are tax deductible.

In Touch NETWORKS, INC.

322 West 48th Street
New York, NY 10036
(212) 586-5588

☐ Please send additional information.
☐ Enclosed is my contribution of $ ___ .

Name

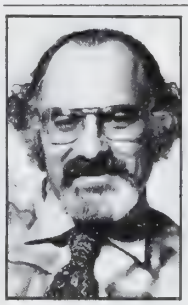
Address

State Zip

Gambling stocks are the private world day traders, individual speculators—t noninstitutionalized world of investors.

THE GREEN FELT MARKET

By Martin T. Sosnoff



"I, CAESAR, bid you welcome to Caesars Palace." The stentorian voice issues from tiny overhead speakers as the moving stairway conveys Middle America to the Maw of Casino Land. This is the iconography of Vegas, a supercolossal conveyor belt moving at 120 feet to the minute that offers rooms with adjoining crap tables. At night the accents are Deep South and Akron twang, New Yorkese and Texan drawl. The conventions are booked into 1981 and the shopping arcades are packed. Downtown Vegas smacks of Miami Beach, a geriatrics ward juxtaposed with block-long neon bedecked casinos that suck in the lonesome cowboys whose dream is the big hit, enough not to have to work for a year. Things are still cheap here—the $10 rooms of 1973 are only $26, and a couple can dine well for $20.

The Golden Nugget is my favorite downtown place. It has a hotel now and a Cantonese restaurant that is as good as anything you will find in the Chinatowns on either coast. The flavor is frontier gothic—covered wagons, gold dust and stage coaches, Tiffany lamps and multiglobed chandeliers. A poker room is studded with Stetson-hatted players, hundreds of intense dudes playing through day and night. Years ago my wife and I would spend an afternoon playing nickel-and-dime poker—hard to lose more than five bucks. Minimums for betting have changed muchly. The dollar slot machines outnumber the quarter slots, and the days are over for carrying around a cup of nickels fo evening's play.

On the Strip, when you look your hotel room the sky is crow with cranes. Every casino is buil on more rooms, 500 to 800 at a t and 50,000 units grow at a 15% Land values surge, and the dynar of employment and retail sales hardly matched anywhere in country. Vegas is beginning to att more light industry, and the big partment store chains are sched for the freshly graded shopping pla Every year is better, and the old- ers involved in land plays and ca ownership think Vegas is just star to break out of its frontier-town age. Maybe so.

How does Atlantic City com with Vegas? There is no compari Vegas will continue to grow long the Jersey shoreline is crowded w couple of dozen casinos. The s early money moving into Atla City hopes to make its investr back in three years. After that, going to be very crowded and the and municipal governments may cide to squeeze operators with h taxes. If you haven't tried the Je shore on a rainy day in December, don't know how homesick you get for any place but Atlantic Cit

Where does the investor go fo best play for his buck? The enter ment stocks have been the parial Wall Street for too long. Not one attained a heady price/earnings tio—not even Disney, cheap no 10 times earnings. No matter much money MCA or Warner C munications makes, the valua remain low. Nobody wants to p premium price/earnings ratio fo *perman* and *Jaws*. Is the market st for paying so little for Resorts Int tional earnings? Hardly. The next ple of years will be great and Resorts will be diversifying its flow elsewhere while the margin its gross win decline. The new h

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

out. The colossal MGM Grand
add another 800 rooms, and its
ngs from Vegas expand embar-
ngly. Caesars World is not far be-
and it will open its Atlantic City
ty by Memorial Day. Earnings
the new hotel-casino should
h Resorts for the next few years.
follows soon thereafter, by year-
Add $3 a share to Bally's 1980
ngs.

y do casino stocks move contra-
lly to the market? The Dow
50 points after its January fling
1979's optimistic scenario, and
stocks move higher. Gambling
s are the private world of day
rs, individual speculators—the
stitutionalized world of inves-
IBM and Boeing split their
s, ratchet their dividends and ex-
he consensus earnings forecasts
e Street and go nowhere. Isn't
arket telling us that the group-
on interest rates and inflation is
ature? The rally in January was
ng more than gun-jumping on
ptimistic thesis that interest
and inflation were topping out
the economy. Meanwhile, retail
move ahead staunchly, and the
mer blithely borrows more
y. The 1979 recession is the best
nented nonrecession on record.
conomist in the country project-
e scary trend in the wholesale
index. You would think all the
ry produced was bananas, and
ind blew them down.

e broadly based market is not
for a major move until the econ-
s purged of banana republic in-
n. Market leadership goes by de-
o the peripheral issues, such as
ming stocks. The institutional
or, who has looked down his
or too long at this group, must
the recommitment of cash flow
he big capitalization goods, per-
by 1980. It is much too easy to
the thesis that growth stocks
narrowed the disparity between
elves and the remainder of the
et. The almost universal accep-
of this thinking will work
lay, but right now the money to
he IBMs of the world is still
into gold or money market in-
ents. The secondary stocks are
imary stocks in a market that
get out of its own way for lack of
y. I want to talk about my raga-
ns next column. Many of them
reated me royally, but the fever-
sinos make my group look as
s a savings bank passbook. ■

Why trading through a broker's branch office can cost you money.

Who benefits from branch offices? Investors who need advice and the broker salesmen who give it. But, if you are an investor who doesn't need a broker's advice, a branch office can be a costly middleman between you and New York where most stock transactions take place.

When you deal with Source, you eliminate red tape. You talk directly to our trading specialists who call your order to the Exchange floor. No salesmen, no secretaries and no teletype operators get between you and your transaction. You'll always be in contact and control. And you'll get fast, accurate executions and clearance.

Average Commission Savings at Source

Stocks	Options
53%	43%

Average percentage savings from the last NYSE fixed commission schedule in effect prior to May 1, 1975 on all trades executed through Source for a recent two month period.

By dealing directly with Source, you save from 30% to as much as 81% on commissions. (Commission savings on stocks average 53%; see chart.)

Along with savings and service you get maximum security. Your assets are fully protected by the resources of our world wide clearing organization and $500,000 in account protection.

So to cut red tape, as well as your trading costs, call for our free Commissions and Services brochure at **800-221-5338** toll free. In New York State call collect at **212-269-9127.** Or send in the coupon today.

Source Securities Corp., 70 Pine St., New York, N.Y. 10005

☐ Please have someone from Source call me.
☐ Please send me your free Commissions and Services brochure and new account application.

Name_____

Address_____

City_____ State_____ Zip_____

Bus. Tel. (____)_____ Home Tel. (____)_____

FOR 3/19

SOURCE

MEMBER NYSE, NASD, SIPC

The broker for experienced investors

WE'RE FIGHTING FOR YOUR LIFE

Have Your Blood Pressure Checked

American Heart Association

While the profit opportunity is great, the opportunity to take a bath with this spread is also large.

WHY GO TO LAS VEGAS?

By Stanley W. Angrist

YOU CAN CASH IN your plane tickets to Las Vegas. There is no need to make that long trip now if it is action you are seeking, because the trade that I am recommending in this column will provide you with as much action as your nervous system can tolerate. In recent weeks that action has been in gold, silver and platinum.

Probably the biggest surprise in the precious metals markets in recent weeks has been the price action of silver. The July 1979 contract has moved from the $6.20-per-ounce level at the beginning of January to in excess of $8. That gain of $1.80 per ounce represents a profit for the longs of $9,000 on a 5,000-ounce contract (or a corresponding loss for shorts). The margin on a long or short position would be around $1,500.

But what has touched off this explosion in silver? There are numerous answers to that question but most observers would first point out the sharp drop in the amount of silver stored in the Commodity Exchange and Chicago Board of Trade vaults. On the last Friday in October the Comex vault held 64.9 million ounces; by the last Friday in January, vault stocks were down to 52.3 million ounces. No doubt speculators' fears were further fired by the events unfolding in Iran and the recent sharp increase in U.S. wholesale prices. Moreover, the tightness in the world oil market created by Iran's lack of exports will allow OPEC to increase prices more than it announced in December. This will surely exacerbate, at least in the short run, the problem of worldwide inflation.

That's the bad news. Now for the good news. It appears that silver supplies will probably increase modestly in 1979. A good part of the world's primary silver production is a by-product of copper, lead and zinc production. Since production of these metals is likely to increase at least somewhat this year, it would not seem unreasonable for silver production to increase also. About 35% of all silver consumed today comes from secondary sources. These sources include scrap recovery, Indian exports, demonetized coins and government stocks. The current high price of silver provides ample encouragement to silver scrap refiners to recover scrap. Though India is not a silver producer, her population holds large quantities of silver as a type of savings account. The State Trading Corp. has placed a legal limit of 30 million ounces on exports for fiscal 1978 (ending Mar. 31, 1979). When the price of silver is right, however, Indians have been known to export considerably more. (Indeed it is rumored that in the silver-price explosion of 1968 it was Indian exports reaching London that finally broke the back of the silver bulls. That debacle is believed to have cost those bulls about a billion dollars.)

Demonetized coin is not likely to produce more than 10 million ounces of silver, as the importance of silver coinage is declining. Government sales are relatively small, but a major question mark overhanging the market this year is whether silver will be sold from the U.S. strategic stockpile. Current holdings amount to 139.5 million ounces. On balance, I think the silver run-up has been overdone.

But what about gold? Like a number of market observers, I watch the ratio of the price of gold to the price of silver. From 1966 through 1970 it ranged between 19-to-1 and 27-to-1. In the third quarter of 1978 the ratio moved from about 34-to-1 to 39-to The recent price explosion in sil has brought the ratio down to un 34-to-1 again.

I believe that gold prices will c tinue to be strong. They will be help along by a number of factors. Th are unconfirmed reports that Sou Africa, now that it is cut off fr Iranian oil, is buying Saudi Arabi crude at prices higher than the pos OPEC price and paying for this oil gold. Iran had previously met arou 90% of South Africa's requiremer Moreover, the Swiss say that Rus has not been selling gold to the W for the past few months.

I think that a reasonable strategy follow in this trade would be to bu 100-ounce gold contract, and sel 5,000-ounce silver contract; both c tracts for December expiration would only consider doing this trad the ratio of the price of gold to price of silver was less than 34-to Because of the lag between the tim write this column and the time y read it, the ratio could have risen b to where it exceeds 38-to-1. In t case, I would do the spread the ot way; that is, buy silver/sell gold. T margin on this trade will be the s of the margins required for a gold a silver contract, or about $3,000. T round-turn commission will also the sum of the individual contr commissions, or about $100.

Under no circumstances woul risk more than $1,000 on this trad

By the way, if the 100-ounce/5,0 ounce spread sounds a bit too risky your taste, you might consider do this spread on the Mid-America Co modity Exchange. There you can u 33.2-ounce gold contract agains 1,000-ounce silver contract. The m gin required to carry this minispr should be less than $1,000, while round-turn commission is $50 both sides of the spread. If you elec use these reduced-size contracts would limit the risk to $300.

But keep in mind that a gold ver silver spread is risky and volatile. T profit opportunity is great. The opp tunity to take a bath with this spr is also large. Be careful!

The cotton chart

In my last column, the lines dep ing the use of cotton in the develop countries and socialist countries w inadvertently omitted from the ton consumption chart. Though omission diminished the value of chart, I believe the point of the umn was still understandable. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

Forbes Index

ompanies covered in news stories and by the columnists in this issue.

rities 124
Int'l Pictures 48
..... 130
assy 48
Richfield 129
..... 66
..... 141
..... 11
Trust 85
..... 39
Trust 79
g 18
dum 118
World 140
..... 66
acific Minerals 139
Bank 36, 85
i Dental Services 114
ates Gas 118
Penn Group 132
Pictures 45
..... 70, 129
s 38
benz 39
..... 106
Laurentiis 47
..... 112
ey 140
tle 17
..... 64
atural Gas 106
Emerson Electric 129
Equitable Life Assurance Society 36
Exxon 129
First Alabama Bank 85
Frank B. Hall, Inc 85
General Atomic 18
GE 129
General Mills 27
GM 39
General Nutrition Centers 56
General Tire & Rubber 118
Georgia Power 130
W.R. Grace & Co 27
Gulf Oil 18
Hospital Corp of America 132
IBM 141
ITC 47
ITT 129
Japan Tobacco and Salt 34
Kennecott Copper 118
Lorimar Productions 47
MCA 45, 140
MGM 141
Monsanto 66
Montgomery Ward 112
New World Films 47
Nippon Telegraph and Telephone 34
Nomura Securities 34
Orion Pictures 47
Pacific Petroleum 85
Pacific Telephone & Telegraph 130
Porsche 40
Pro-Dex 112
RKO General 118
Research & Science Investors 138
Resorts Int'l 140
Rohm & Haas 64
Rollins Burdick Hunter 85
Royal Dutch/Shell Group 18
Scientific-Atlanta 120
G.D. Searle 114
Sears, Roebuck 36, 66, 112
Shenandoah Oil 106
Melvin Simons Productions 45
Smith-Kline 66
South Central Bell 130
Southern Pacific Petroleum 139
Southland Royalty 106
Sperry & Hutchinson 118
Standex Int'l 38
State Nat'l Bank 118
Texaco 129
Transamerica 48
Twentieth-Century Fox 45
United Bank of Colorado 85
U.S. Trust 85
Valero Energy 118
Varco Pruden 18
Warner Communications 45, 140

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

Thoughts on the Business of Life

The struggle for success is so keen in every line of business that responsible positions are rewarded to men of solid merit, of indefatigable energy, of unbounded enthusiasm, of unflinching courage and infinite faith in the worthiness of their life's work. In return, these men must be thoroughly organized, must give each executive assistant responsibilities and allow him scope to discharge them. And, above all, nonswell-headedness!
B.C. Forbes

Everything holds its breath except spring. She bursts through as strong as ever.
Emily Carr

Some grow with responsibility—others just swell.
Arnold Glasow

The more humble a man is before God, the more he will be exalted; the more humble he is before man, the more he will get rode roughshod.
Josh Billings

Let every eye negotiate for itself and trust no agent.
Shakespeare

A Text . . .

While the earth remaineth, seedtime and harvest, and cold and heat, and summer and winter, and day and night shall not cease.
Genesis 8:22

Sent in by W.D. Ridings, West Chester, Ohio. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

Personality can open doors, but only character can keep them open.
Elmer G. Leterman

I claim no superior intellect but do subscribe to a gut feeling which says: "I am not afraid to intellectually test any idea contradictory to my own because from that direction truth will surely come if I do not now possess it.
W.M. Pepper

The English instinctively admire any man who has no talent and is modest about it.
James Agee

Lots of folks confuse bad management with destiny.
Elbert Hubbard

Among the smaller duties of life, I hardly know any one more important than that of not praising where praise is not due.
Sydney Smith

The applause of a single human being is of great consequence.
Samuel Johnson

Excess of self-inflation, as self-deflation, is unwise and unworthy of a mature man.
Harry G. Mendelson

The shell must break before the bird can fly.
Tennyson

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

It was one of the first of the spring days—one of the days that seemed to be promise and fulfillment in one.
Lucretia Peabody Hale

Every successful man I have heard of has done the best he could with conditions as he found them, and not waited until the next year for better.
E.W. Howe

I have always observed that to succeed in the world one should seem a fool, but be wise.
Charles de Montesquieu

It is more important to know where you are going than to get there quickly. Do not mistake activity for achievement.
Mabel Newcomber

Pride may be allowed to this or that degree, else a man cannot keep up his dignity.
John Selden

Humility is the most difficult of all virtues to achieve; nothing dies harder than the desire to think well of self.
T.S. Eliot

The peony, though large, is useless; the date blossom, though small, yields fruit.
Chinese Proverb

The worthless and offensive members of society, whose existence is a social pest, invariably think themselves the most ill-used people alive, and never get over their astonishment at the ingratitude and selfishness of their contemporaries.
Ralph Waldo Emerson

To measure up to all that is demanded of him, a man must overestimate his capacities.
Goethe

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Introducing *Rich Lights* from Viceroy.

The first low 'tar' cigarette good enough to be called *Rich*.

Kings and 100's.

©1979 B&W T Co.

"At National Distillers, ChemLink helps us marshal our money faster and control it better. Thanks to Chemical Bank, and Chemical bankers like Peter and Jane."

F. Donald Brigham, Treasurer, National Distillers and Chemical Corporation.
Photographed at the Houston plant of U.S.I. Chemicals— a division of National Distillers and Chemical Corporation

"Tight control of company cash has long been one of the top priorities of financial officers everywhere," says F. Donald Brigham, Treasurer of National Distillers, the diversified chemical, liquor, wine, metals and textile company. "ChemLink, Chemical Bank's computerized financial management system, has made it easier for us to manage the movement of our money by giving us more timely information about the cash in our banks. And by facilitating short-term investing, it has helped produce savings that show up in hard dollars on the bottom line.

"We have 48 disbursement accounts across the country. To fund our local bank accounts we used to telephone our disbursement banks and give verbal instructions— a slow, error-prone process that generated a lot of paperwork. Now, we just type our instructions on a terminal and get automatic execution via ChemLink. We also get virtually instantaneous hard copy confirmation.

"Now, look at another situation that's just as illustrative. We have 32 lock boxes in 18 cities. Through ChemLink, all those deposits are now concentrated into Chemical Bank via depository transfer checks. Thus, ChemLink makes it possible for us to know today what money will be available for investment tomorrow. Again, for far fewer dollars than what it used to cost us to concentrate money by wire transfer.

"Chemical's determination to maintain a position of leadership in cash management is evidenced b bank's commitment to existing se vices and to adding more advance capabilities to the ChemLink syst

"As well as by knowledgeable people like Peter Barfko, our acc officer, and Jane Arkedis, our cas management specialist, who've m it their business to know what our needs are. And their advice is inv able."

At Chemical Bank, experien people like Peter and Jane are an portant factor in building a relatio ship as successful as this one. Bu are the knowledge and profession that result from continuing leade in worldwide cash management. which you'll discover as your relat ship with Chemical evolves.

CHEMICAL BAN

Main Office: 20 Pine Street, New York, New York 10005. Our Worldwide Network: Abidjan, Bahrain, Beirut, Birmingham, Bogotá, Brussels, Buenos Aire Caracas, Channel Islands, Chicago, Dubai, Edinburgh, Frankfurt, Hong Kong, Houston (affiliate), Jakarta, London, Madrid, Manila, Mexico City, Milan, Monrovia, Nassau, Paris, Rio de Janeiro, Rome, San Francisco, São Paulo, Seoul, Singapore, Sydney, Taipei, Tehran, Tokyo, Toronto, Vancouver, Vienna,

, 1979

ONE DOLLAR FIFTY CENTS

Forbes

MURPHY OF G.M.
STRATEGIES FOR THE EIGHTIES

21573353 API NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

820 08317

The power of technology
is the power to create.
Creating the
Pratt & Whitney Aircraft engin
that help grow the world's foo
is one way
we're using ours.
UNITED
TECHNOLOGIES.
Pratt & Whitney Aircraft Group • Otis Group
Essex Group • Sikorsky Aircraft • Hamilton
Standard • Power Systems
Norden Systems • Chemical Systems
United Technologies Research Center
United Technologies Corporation,
Hartford, Conn. 06101.

Qyx is a Division of Exxon Enterprises Inc.

You may not know my company yet, but you know my partner.

Dan Matthias, President of Qyx, has good reason to look so pleased. His company is part of Exxon Information Systems, Exxon's ... growing business activity in the ... rmation systems field.

Qyx and Exxon Information Systems combine the ources of a large organization ith the unique technological skills nd entrepreneurial drive of a ot-so-large one. Together, they've proudly brought forth Qyx®, The Intelligent Typewriter™.

Qyx has a quiet, high-speed interchangeable print wheel that floats along the carriage on a magnetic force field.

It has automatic erase, backspace, centering and decimal tab. Plus dual pitch and proportional spacing.

It has "white glove" changeable ribbons and automatic recall of frequently used phrases and formats.

And simple, drop-in electronic modules let you add capabilities. One module gives Qyx a memory. Another permits infinite storage on removable diskettes. A third makes Qyx a communicating typewriter. You can even add a mini-display.

Qyx, The Intelligent Typewriter. Just about everything you could want from a desk-top typewriter.

The Tiger would like you to know more about how Qyx and his other partners can help streamline information handling in your organization.

For a brochure which details products and services, call 800-223-2479 toll free (in New York State, call 212-398-3141), or write to "Exxon Information Systems Brochure," 1251 Avenue of the Americas, New York, N.Y. 10020.

Qyx

EXXON INFORMATION SYSTEMS

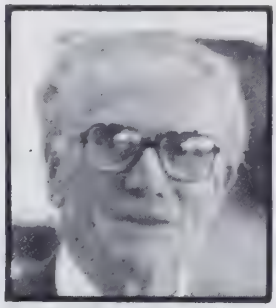
Qyx Sales and Service offices are located in Atlanta, Bergen/Essex Counties, N.J., Boston, Chicago, Dallas, Houston, Los Angeles, New York, Philadelphia, San Francisco, Washington, D.C. and White Plains.

Forbes

April 2, 1979
Volume 123, Number 7

Real Estate: Over and over the public has been burned in real estate syndications. So guess what's booming again? **33**

The Strong Man of Hartz Mountain: Leonard Stern wants to be "the richest of the richest," says an ex-associate. But everything he does seems to leave a tangle of accusations. **38**



Cover Story: For all its U.S. dominance, General Motors is an also-ran overseas. GM intends to correct that in the Eighties. **44**

Companies: Jim Kerr turned a sick company into a profitable one. His reward? A stock that sells at two times earnings. Is anyone listening? **58**

The Up-and-Comers: the inaugural story o new feature, FORBES lo at fast-growing Crawf & Co. **64**

Features

Italy: *Collapsing Into Prosperity.* Statistics tell us that Italy is in economic crisis. Observation tells us that it's booming. What's going on? **36**

Oil: *The Great Doubter.* The cataclysmic vision is all wrong, says Irving Trust's Arnold Safer. **49**

Companies: *At Long Last?* Wall Street has been hearing about turnarounds at Fairchild Camera for so long that it's become almost permanently skeptical. But this time, the doubters who have depressed Fairchild's stock well below book value may be mistaken. **50**

The Streetwalker: *The Stock Nobody Loves.* For those who like to buy stocks when nobody wants them, J. Ray McDermott is an interesting proposition. **54**

Foreign Investment: *The "Finders."* They don't like to be called that, but whatever you call them, helping foreigners buy a piece of the U.S. has become at least a $60 million business. **71**

Foreign Investment: *The Pace Quickens.* FORBES' latest survey shows more foreigners buying into U.S. business, with the Germans leading the field. **73**

Insurance: *It's Called Creative Accounting.* Ever notice how hardly a day goes by without a takeover bid for an insurance company? There's a good reason. **82**

Insurance: *The Megabrokers.* Meet the newest multinationals: the big U.S. insurance brokers. **88**

Solar Energy: *The French Move Ahead.* With Gallic rationality, France is using solar energy where it should be used without falling into the trap of some enthusiastic Americans that it's the answer to everything. **90**

Statistical Spotlight: *Consensus And Anticonsensus.* Where the analysts can't agree, there may be opportunity. **92**

The Numbers Game: *Is The Cure Worse Than The Disease?* Nearly everyone agrees that chronic inflation has rendered most corporate earnings figures meaningless. But the experts' "inflation accounting" may be only making things tougher for the poor shareholder. **96**

Companies: *The Best Laid Plans.* Al Rockwell's grand de sign didn't entirely work out at Rockwell International. enough of it did to create a first-rate company. .....

The Funds: For years now, the so-called "growth" mutua funds have been far from that. But nothing is forever on W Street, and some of the big common stock mutual funds ar now showing net sales gains for the first time in ages. ....

Faces Behind The Figures

Alan F. Westin *(Civil Liberties Review)*
Byron C. Radaker (Congoleum Corp.) .....

William M. Gibbons (Chicago, Rock Island & Pacific RR)
Prince Muhammad al-Faisal al-Saud of Saudi Arabia
Maurice Saltzman (Bobbie Brooks) .....

Ray F. Caviano (Warner Bros. Records) .....

Money And Investments

The Economy: *Which Statistics Do You Want?* Industrial production, retail sales and housing, which signal recession? Or durable goods orders and capital appropriation and rising prices, which don't? .....

Columnists

Ben Weberman **120**
Heinz H. Biel **122**
Srully Blotnick **124**
John Train .....
T. Rowe Price .....
Stanley W. Angrist .....

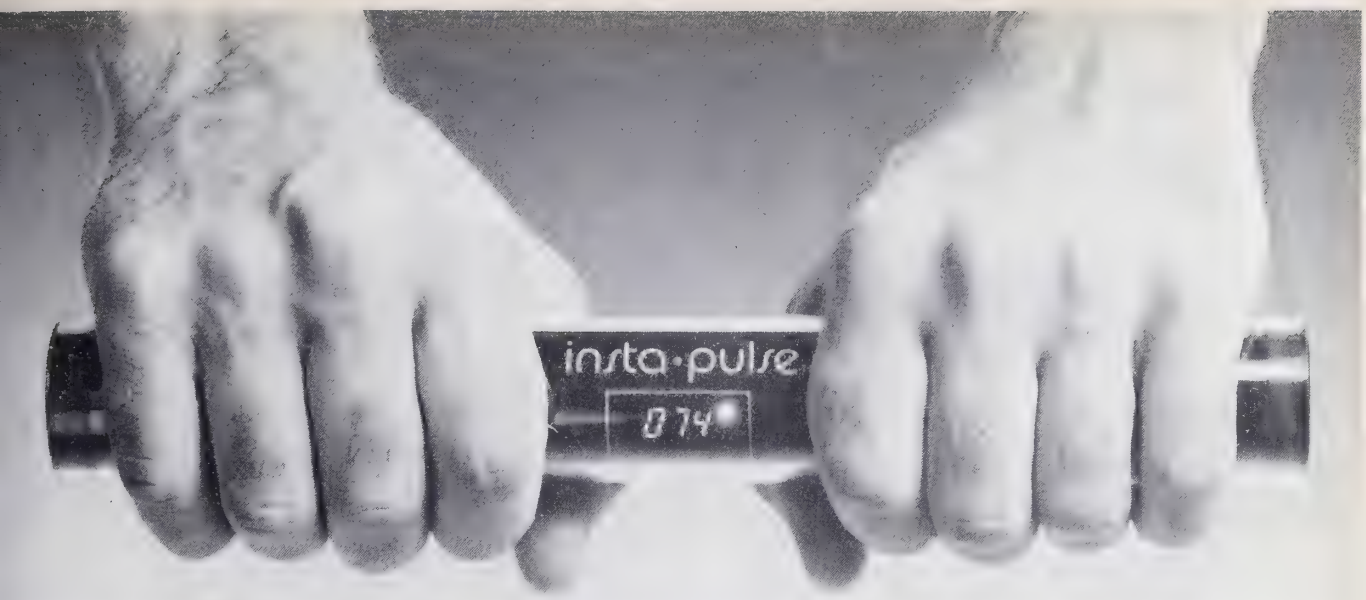
Departments

Side Lines **6**
Trends **10**
Follow-Through **16**
Readers Say **19**
Fact and Comment .....
Other Comments .....
Editorial Index .....
Thoughts .....

Credits: **Photos**—pp.6 right, 39, 58, 110 bottom, Bill Kelly; p. 10, UPI; p. 34, Pat Pagi pp. 37, 60, Liaison; p. 40, The Record, pp. 49, 89, John Chang McCurdy, p. 54, Smith Black Star; p. 64, Leviton-Atlanta; pp. 71, 72, 112 top, Mike Evans/Liaison; Dana Thomas; p. 90, Wide World; p. 96, Frank McMahon; p. 108, Jim Pickerell; p. 11 Robert Levin; p. 112 bottom, Art Shay; p. 116 left, The Cleveland Press; p. 116 right, J Hamilton; **Charts and Maps**—pp. 45, 46-47, 88, 119, 132, Andrew Christie/Matrix De **Drawings**—p. 82, Bruce Cayard

Cover Photography: Burt Glinn **Design Consultant:** Peter Pa

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, 10011. Second-class postage paid at New York, N.Y. and at additional mailing of Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth New York, N.Y. 10011. Copyright © 1979 Forbes Inc.



SEE EVERY BEAT OF YOUR HEART.

Checking your heart rate is ow as easy as grasping a glass of range juice, thanks to the remark- ble Insta-Pulse™ heart rate nonitor from Biosig, Inc.

When held in your hands, it eads your heart rate function from ne tiny electrical impulses in your nger tips. Insta-Pulse works on the ame principle as a hospital elec- rocardiograph (EKG). Yet it weighs mere 10 ounces, measures 11″ × ½″ and is fully portable. It runs for p to one full year (over 100,000 eadings) on a single 9-volt battery.

lo waiting required.

Once Insta-Pulse is in your ands, its microcomputer chip egins to monitor every heart nuscle contraction. And instan- aneously translates that into heart- eats per minute—showing it with bright, always changing LED isplay.

(Flash) 075 (beats per minute) . . .
(Flash) 078 (beats per minute) . . .
(Flash) 074 (beats per minute) . . . and so on.

As long as its nickel hand grips re between your fingers, ulse data continues; put ista-Pulse down, and it urns itself off auto- atically.

Watch both heartbeats and heart rate patterns.

You're free to monitor your heart rate anywhere with Insta-Pulse. During a workout or after one. At home, at the gym or on the track.

Instantly, you will see how the most critical organ of your body responds to exertion. And how long it takes to return to its normal at-rest rate.

This picture of your heart recovering from activity is something you can never get with conventional pulse readings.

In seconds you can also see the effects of psychological stress, overeating, alcohol, caffeine and cigarettes. You'll learn just how valuable to your heart a short nap can be. Or check the benefits of a morning's meditation. Here, too, is an excellent tool for use in bio-feedback work; with practice, you can actually develop the ability to alter your heart rate—at will.

Not a toy. Not a toy's price.

The cost of Insta-Pulse through The Sharper Image is $149.00. It's not the only heart rate monitor available to you for about that price. However, others with their cumbersome clips and wires do not provide the accuracy of Insta-Pulse, the world's first instant heart rate monitor.

And it's shock resistant as well. Insta-Pulse contains no moving parts, is 100% solid state and its circuitry is shielded from damage by a thick, clear lucite shell. A hand lanyard provides additional security. The battery is included.

Insta-Pulse comes with a ninety-day warranty from its manufacturer, and the Sharper Image's own guarantee of satisfaction: if you are not completely delighted with it, send it back within two weeks for a full refund.

Order an Insta-Pulse now, and watch your heart function as you never could before.

ORDER TOLL-FREE

Credit card holders may use our toll-free ordering number, below. Or send check for $149.00 plus $2.50 delivery. Add $8.94 tax in California.

Ask for Operator 25 I
(800) 824-7888
In California:
(800) 852-7777
Alaska, Hawaii: (800) 824-7919

THE SHARPER IMAGE™
260 California Street, Dept. 27
San Francisco, CA 94111
©The Sharper Image

IF YOU'RE EVER SUED BY YOUR STOCKHOLDERS, THE LAST THING WE'LL TRY TO GET YOU IS A FAIR TRIAL.

Since 1966, American Home/ ational Union have handled over 00 cases involving lawsuits rought against directors and ficers all over the country.

In almost every case, we've tried get the claim settled out of court. The reason is simple.

No matter how fair a trial is, it can unfair to the director or officer ing sued.

A public trial can mean public barrassment.

It can hurt your reputation. It can en ruin your career.

Because once you go to trial, you uld appear guilty, to some people, en if you're not. So even if you n your case, you still lose.

In 95% of the D&O cases we've ndled, they've been successfully ttled out of court.

And that's a claim probably no her insurance company can make. fact, you could have a D&O licy with an insurance company at may never have handled a claim fore. Which means they could learning how to handle a claim your expense.

After all, it's easy to write a D&O Policy, but knowing how to settle a claim is something else.

That's why we think you should have a D&O Policy with us.

We call it our "Protect Your Privacy" Policy, and it's available for directors and officers, individually or collectively.

Our underwriters are all experienced in counseling any director or officer being sued. And in addition to helping settle claims out of court, they're also capable of organizing and consolidating the defense.

In fact, we have many lawyers on retainer who specialize in D&O Liability law. So in every case we handle, we're able to call in the best legal help available.

American Home/ National Union, member companies of AIG, are now the leading writers of D&O Insurance.

(We also offer a combination Pension Trust/D&O Policy and many other coverages to protect the executive, like Kidnap, Ransom and Extortion.)

Our "Protect Your Privacy" Policy is just one of more than 300 policies AIG offers, through our more than 160 member companies, in more than 130 different countries.

For more information, send in the coupon below.

If your privacy is as important to you as we think it is, this offer will be too.

AIG'S "PROTECT YOUR PRIVACY" POLICY

Please send me more information on
☐ D & O ☐ Other_____

American International Group
Dept A, 70 Pine Street, New York, N Y 10005

Name_____

Firm_____

Address_____ Tel_____

WE OFFER MORE KINDS OF INSURANCE THAN ANYONE IN THE BUSINESS.

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with an AIG company

F 12

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr
Contributing Editor: Richard Phalon
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver
Washington Bureau: Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager; Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Theodore Smith, Assistant Directors; Nikki Frost, Philip Gefter, Photo Researchers
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Lataniotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold; Donald W. MacDonald; G. Croft Henry; Charles S. Thorn; John A. Wilson; Richard Calkins; James W. LaCrignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Manager
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Manager; William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Manager
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager
Classified: Sarah Madison, 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-620-2200

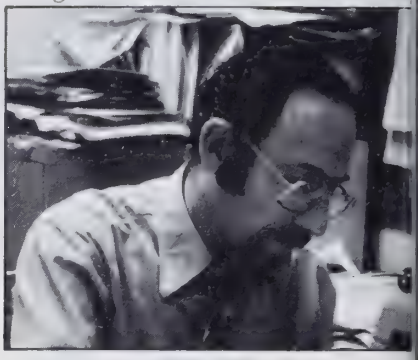
Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Some things never change

Individuals change, but human cupidity and gullibility seem eternal. Howard Rudnitsky was 27 when the picture on the left was taken, a recent recruit to FORBES' writing staff after a stint in our statistical department and working for Moody's Investors Service. A few years earlier, in 1959, FORBES had done an arti-



Rudnitsky in 1962 and in 1979
Still on the lookout against questionable merchandise.

cle warning readers against syndications like the SIRE plan, a pioneer offering of realty partnerships for small investors. Its principal ranted at us, but in the end he went to jail. Yet the game went on: Four years later Rudnitsky was reporting how thousands of investors had become locked into uneconomic syndications. Now 43 and a senior editor, Rudnitsky is still on the lookout against questionable investment merchandise. Today real estate syndication is booming again, and once again Rudnitsky is documenting it. In 1963 FORBES warned that as much as 22 cents on the investment dollar was going to middlemen. And in 1979—surprise!—in some cases as much as 23 cents is going to the middlemen *(p. 33)*.

General press and TV coverage of b ness remains, by and large, unintelli and one-sided. The general media telling us a wave of mergers is swee the country, increasing the corpo concentration. What the press rarely us is that new companies are cor along about as fast as older ones are appearing into mergers.

This by way of introduction to a feature that debuts with this issue: Up-And-Comers. It seeks out enterp that are too small to be called big b ness and too big to be small busi These companies may have sale small as $10 million, or as big as million. Who runs them? What m them tick? How have they been so cessful in an economy supposedly d nated by big business? Senior E Geoffrey Smith, who developed our ular Numbers Game feature (and recently returned from a stint as our ropean bureau manager), developed format and wrote the first article Atlanta's Crawford & Co. *(p. 64)*.

Prophecies and profits

"As long as we focus on big-ticket, hard-machinery products built around an engine, we retain our cohesiveness. . . . [And] I don't see how a 50% increase in volume can disrupt things." So said Frederic Garrett Donner, chairman and chief executive officer of General Motors Corp., in 1962.

A FORBES editor was reminded of Donner's remark when Chicago Bureau Chief Bob Tamarkin filed his cover story on GM for this issue *(see p. 44)*. For not even Donner, perhaps, could have imagined how much growth was in store for GM, then as now the world's largest manufacturing company. In 1962 GM sales came to $14.6 billion, net profits $1.5 billion. Sales last year were 332% higher (to $63 billion), net profits up 140% (to $3.5 billion). adjusted for inflation, GM has man awesome growth without visible strai 1962 dollars, 1978 sales came to $ billion (up 100% from 1962), net pr $1.6 billion (up 12%).

As Tamarkin reports, GM's strate for the 1980s include a major thrust seas in its main business, making selling cars, with no thought whatev diversifying beyond it. That is ent consistent with Donner's view of ho handle great size.

"If we were in cosmetics as wel would be a different story," he said. versity presents some problems. But *per se* is not unmanageable."

Obviously. ■

How to put your building on a strict Btu diet.

Energy, as we all know, is money. It disappears faster than we can put our fingers on it.

Soon, every one of us is going to have to start budgeting energy. The high costs of energy, as well as government regulations, are going to demand a strict accounting of the way our buildings consume energy.

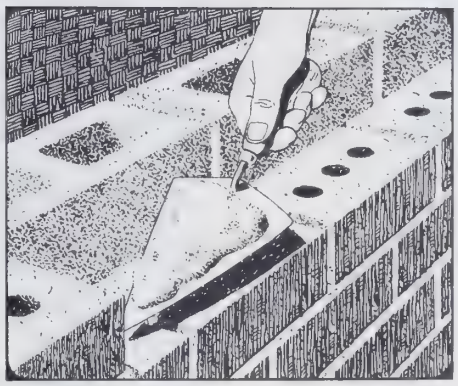
But there are ways to make a Btu stretch farther. We believe there are four important things that every business manager should know about cutting down energy expenditures:

1. *To do a good job of saving energy, you have to be concerned with the energy performance of the entire building,* not just a component like the walls, or a single system like heating and cooling.

Every facet has to be taken into account. The mass, or weight, of the walls, proper insulation, heating and cooling systems, air infiltration through doors and windows, water and lighting systems—all are critical.

Building performance standards that take this overall "thermal performance" (measured in Btus—British thermal units) into account are the best kind of standards. They give designers and builders freedom to use their skills and ingenuity. They encourage such things as proper solar orientation of buildings, reduced air infiltration and efficiently-sized mechanical equipment. A true "performance standard" simply sets an energy conservation goal, expressed as an energy budget for an entire building, and then permits that goal to be achieved by the designer, builder, and owner in whatever ways they can devise.

2. *We can use the sun's energy to cut energy costs.* There are both "active" and "passive"



solar collectors. "Active" solar collectors collect energy from the sun and then use mechanical equipment such as pumps or fans to distribute that energy. "Passive" collectors simply collect the sun's heat and hold it until it is released by radiation or conduction.

No materials serve as "passive" collectors better than masonry—brick, concrete block, stone.

Passive solar collectors have many advantages over active solar collectors. They have no working parts—nothing to go haywire. They are simple to design and build—and they are more economical.

3. *Massive walls of masonry, even when they're not designed as passive solar collectors, keep buildings warmer in winter, cooler in summer.* Because of their weight, or mass, masonry walls act like thermal blankets. In many cases, masonry walls will mean that heating/cooling systems can be reduced in size.

4. *Insulation is important when properly used, and when its limitations are understood.* We are still learning about the limitations. It's already clear that insulation is cost-effective only when used with restraint. After a certain point of thickness has been reached, the cost of additional insulation will no longer be recovered in energy savings.

And it's becoming clear that some assumptions made in the past about insulation are not justified. For example, there are indications from preliminary studies that in regions where more energy is expended in cooling than in heating, insulation used in the standard fashion in all walls may actually increase, instead of reduce, energy consumption.

One of insulation's limitations is that it affects only conduction—it doesn't affect air leakage, which is estimated to account for 25-30 percent of the thermal loss in buildings. A significant amount of air leakage occurs through windows and doors, so it's important to reduce the size of, and shield, these openings.

Masonry walls will further reduce air leakage because they are hand-fitted on the site (like custom-made suits) and thus are more airtight.

Furthermore, the effectiveness of insulation depends on the wall to which it is attached. Promoters who compare wall materials with insulation are making a meaningless comparison—the two have different functions, and one is not a substitute for the other.

Keeping to a strict Btu budget for your buildings is important today and will be even more so tomorrow. If you would like to know more about saving energy, write to International Masonry Institute, 823 15th Street, Northwest, Washington, D.C. 20005.

International Masonry Institute
(The Bricklayers' International Union and the Mason Contractors of the U.S. and Canada)
823 15th Street, N.W., Suite 1001
Washington, D.C. 20005
(202) 783-3908

The president of Smedley & Sons carries lots of weight--most of it in the wrong places.

Kodak knows that paper is one of the weightier problems facing American business today. You can't stop the volume that flows into your office. It builds up on your desk, clogs your filing system, and can be difficult to find when you need it.

Kodak understands paper problems and has a plan to help you combat them—by using microfilm to do away with the overweight office.

Microfilm not only allows you to store the same information in as little as 2% of existing space, but also it allows you to find the documents you need and make excellent paper copies of them, all in seconds.

With Kodak Oracle products, for example, you can microfilm documents as you receive them, in random order. By assigning each one an identifying code on the film, you can retrieve it any time you wish—almost instantly. This is just one of many applications we can help you set up, all dedicated to fighting excess paper.

Kodak has helped thousands of companies attack paper problems at their source. We've made advances in microfilm technology that make it fully compatible with even the most sophisticated office systems.

We'd like to share some of what we've learned about getting companies like Smedley's to carry their weight in the right places. Start getting your office back into fighting trim. Send the attached coupon today.

Kodak

The Reducing Plan
Kodak microfilm

Eastman Kodak Company
Department DP9543
Rochester, New York 14650

☐ Please send me more information about the Kodak Reducing Plan.
☐ Please have a Kodak representative call to arrange a free survey of my office filing system.

Name

Title

Company

Address

City

State & Zip

Phone

Eastman Kodak Company, 1979

Edited By John A. Conway

Get a horse!

Foreign-car manufacturers are working furiously to clear an unforeseen roadblock—some of their best selling imports cannot be towed. Nissan of Japan, for example, hopes to sell 80,000 copies of its luxury sports car, the Datsun 280ZX. With sales at full throttle, it recently found the car was rated almost untowable. Front-end towing damaged that end of the body and rear-end lifting could wreck the rear parking-brake cables. Nissan and the American Automobile Association have now figured out how a tow truck can pick up the 280ZX by the rear bumper and are working on a front-end solution. Nor is Nissan the only one with a problem. The Volkswagen Rabbit's automatic transmission can be damaged if a rear-end tow isn't done just so. The Fiat Strada, which uses the Rabbit's transmission, faces the same hazard. The Japanese Mazda RX7 should be towed on a dolly to avoid damaging transmission, rear axle or steering. The reason for the sudden commotion seems to be simple oversight. The conventional tow truck, so familiar to Americans, is something of a rarity in Japan and Europe. To correct that blind spot, Nissan and Volkswagen have bought standard U.S. tow trucks to help their designers and builders.

Disco economics

Does demand command supply? In the record business, not necessarily. Fans hunting longer versions of hits they hustled to on the dance floor once had to settle for a 7-inch, 3-minute single or a 12-inch LP album that mixed the sought-for tune in a medley of other music. So record companies have been pressing—and disco fans have been snatching—new 12-inch singles with up to 15 minutes of one song per side. Despite the heady $3.98 price on the new singles (the old ones cost less than $1), companies are turning out just enough to keep appetites whetted, not sated. Why? "The same machine pressing the singles could be pressing LP albums," says Warner Bros. Records. And LP albums sell for $7.98 and up.

Own your job

New proposals to help employees buy the companies they work for are given a good chance for passage in this year's Congress. One bill that has the powerful support of two Democratic Senate committee chairmen, Russell Long of Louisiana and Gaylord Nelson of Wisconsin, would direct the Small Business Administration to make and guarantee loans to workers who want to buy companies slated for closing, relocation or sale to outsiders. In the House, another Democrat, Pennsylvania's Peter Kostmayer, wants to create a special program in the Economic Development Administration with a $100-million loan fund to finance worker-purchasers. Backers of the idea argue that employee ownership is preferable to plant closings and their resultant costs to taxpayers for welfare, unemployment benefits and job training. Profitable businesses can fold, the sponsors add, because the owner retires or because a big corporation's management may not deem a subsidiary's profits to its liking.

Winter's bite

The numbing effects of this year's fierce winter, blamed for every economic woe from high beef prices to fuel shortages, will probably prove no more lasting than the snows it brought. At least that's what the experts in Washington think. Robert Parker, who watches such matters for the Commerce Department, says that "one week's bad weather" has little long-term impact. Jerry Zeisel, a Federal Reserve Board economist, points out that January 1978 brought "horrendous" weather but the lost business was more than made up by a spending boom in the spring. Even the savage weather this February, the National Association of Purchasing Management found, did not affect two-thirds of the companies it surveyed. Orders and production were up, the association says, with items like aluminum, copper, electric motors, paper and paper products in short supply.

Budget backfire

The White House has quietly st building backfires to check the grassr clamor for a constitutional amendr requiring balanced federal budgets. Carter Administration has just leak memo pointing out how the states m have fared if the budget had been bala for the past ten years instead of run up $325 billion in deficits. Since 196 notes, balanced federal budgets m have ruled out general revenue sha which would have denied states and c munities almost $6.9 billion a yea would also have meant no money sewage treatment plants, a $27 bil item. President Carter, of course, fav balanced budget but he wants to ach it his own way. The pressure, howev building fast; with action by 34 st required, 28 have already asked Cong to call a national convention, the since the Founding Fathers held thei 1787. George Washington & Co. lef guidelines for such a powwow, howe and constitutional experts in and ou Washington are leery of what might pen in one. Jimmy Carter, moreover, a special reason to oppose it. The appointed point man for the balance-budget crusade is California's Demo ic Governor Jerry Brown, who is als running hard to take the President's p in the Oval Office.

Ho! for the open road

President Carter may be busy tur down the White House thermostats preaching energy conservation from

A paralyzed Chicago digs out after winter brought six feet of snow
Like flowers, business should bloom again in the spring.

Ætna's new pension fund gives small businesses the investment power and tax shelters of a big business.

Ætna's new Multiple Asset Portfolio is a unique plan that offers small businesses the chance to invest in 1) a Common Stock Fund; 2) a Bond Fund; 3) a Money-Market Fund and; 4) a Guaranteed Account. You can invest in any one of these or any combination and you can transfer without cost to a different option* every 90 days if you feel it's advantageous.

The result: An investor directed, professionally managed pension fund that gives you more flexibility than ever before.

And, at no additional fee, Ætna will convert all accumulated assets into an income for life for your retired employee. This plan also provides a pre-retirement death benefit for the dependents of the employee.

Mail the coupon. Discover how Ætna can give your small business the financial advantages of a big business.

*Transfers are not allowed from the Guaranteed Account

Edward N. Cheek, CLU
Director, Pensions/Profit Sharing/IRA Sales
Ætna Variable Annuity Life Insurance Company
151 Farmington Avenue, Hartford, CT 06156 • (203) 273-6246

Ætna

☐ Have a representative contact me. ☐ Send your free literature.

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Phone_____

For more complete information, including charges and expenses, please write or call for a prospectus. Read it carefully before you invest or send money

Tough on Energy Costs

It's not uncommon for an American building owner to save several thousand dollars annually in fuel savings. Our buildings are designed that way.

When compared to other kinds of construction, the American wall and roof system is up to five times more energy efficient. That means lower utility bills. Less wear and tear on heating and cooling equipment.

With our systems approach to construction, the local American builder can provide time and money savings for you. And our Standing Seam Roof System* is unique in both design and application. It can save you problems and money in the years ahead.

For good-looks, construction economy and energy-savings contact the American builder. He's in the Yellow Pages under "Buildings - Metal". Or American Buildings Company, Box 800-A, Eufaula, Ala. 36027, (205) 687-2032.

*Patent Pending

Plants Coast to Coast

AMERICAN BUILDINGS

ery pulpit he can find, but the Ame motorist isn't getting the message. 150 million vehicles on the road, dr are burning 300 million gallons of line a day, and the trend creeps up despite higher prices and the "do nickel" 55 mph speed limit. Durin first seven days of July 1978, the De ment of Energy has figured out, U.S torists used more petroleum than d the American ground forces in 19 the year of the Normandy invasion American driver is also managing t Washington's and Detroit's allout e to force him into smaller and sm vehicles. General Motors, for inst has spent close to $2.7 billion on its compacts and expects them to deliv miles per gallon. These are the cars must sell if it is to maintain the ' average" mileage Washington has dated. To achieve 26 miles per gall 1983 for the GM fleet, President (Pete) Estes says, the company will to sell two compacts for every full-g automobile. So U.S. buyers have ch this as the time to develop a high for such obvious noncompacts as pickup trucks and four-wheel-drive cles. Last year, 23% of U.S.-built veh were vans and pickups.

Unspendable dollars

Since 1970 airline passengers have pumping money into a trust fund cr to improve the nation's airports an ways, but despite their crying need airport operators have been able t only a fraction of it. Federal lawm had decided that the money—90% from levies on passengers and fr the rest from a fuel tax on private ers—was to go for items like run and not for terminals and parking f ties. With the public aroused by the ronmental outcry, however, new ways proved to be the last things an wanted. The real priorities were th bidden new terminals and parking on existing airports. (The radar and paraphernalia to improve the airway better, drawing about $250 million a from the trust.) Congress did loose purse strings a little in 1976 to money for operations and mainten but not for terminal construction, the fund kept piling up surpluses year. Today, this hoard stands at $2.7 billion and will reach $3.2 billi the time the tax authority runs ou June 30, 1980. Then, unless Con takes special action, the passenge waybill tax will drop back to its pre- level—and the revenues, instead of into the airport and airway trust, flow into Uncle Sam's general fund.

THE ADVANTAGES OF LOCATING YOUR COMPANY AMIDST THE GREATEST CONCENTRATION OF POWER AND INFLUENCE IN THE WORLD.

Not only is Washington, D.C. the capital of America, it's also fast becoming the capital of business in America.

This is where they make the rules of the game that businessmen have to play by.

This is where the factory is that makes the red tape.

Yet, this is also where the greatest opportunity exists for business today. Simply because there are enormous benefits to having the federal government for a neighbor.

Notice we said neighbor. Because when you look at Washington, the view is better from Fairfax County, Virginia.

Fairfax County is 410 square miles located just thirty minutes from Capitol Hill. It offers all the advantages of proximity to Washington combined with a comfortable suburban environment. And importantly, Fairfax County offers a lifestyle that's more than tolerable; it's desirable.

The ideal choice for a Washington location is not Washington. It's Fairfax County, Virginia.

That's actually the bottom line of a report issued by the Fantus Company, a subsidiary of Dun and Bradstreet, and a leader in the field of location consultation.

The study thoroughly examined locational possibilities all over America and concluded, "Fairfax County may well be the optimum location selection for the headquarters function of a national association or the regional office of a major corporation."

The fact is that over 1200 major corporations, associations and businesses have already located here.

Companies like Mobil Oil, TRW, Honeywell and Computer Sciences Corporation are typical examples.

By locating in Fairfax County, any business influenced by government is in a good position to influence back. Company executives can establish personal contacts with key legislators and staffs on Capitol Hill, contacts that are difficult to maintain at long distance.

You don't have to be intimately involved with the Federal government to take advantage of it.

Since Washington attracts the best and the brightest, companies that locate in the area can, too. Fairfax County firms have the opportunity to tap an executive, managerial and clerical pool that is perhaps unequalled anywhere in the nation.

Transportation systems are excellent for regional, national or international corporations. Washington National and Dulles International airports have direct flights to major cities all over America and to major capitals of Europe and South America.

And a move to Fairfax County won't prove as taxing on your company. Or your people. The overall tax situation in Virginia is favorably competitive with other states.

Now that you know what power and influence will get you, look what you get for 15¢.

If you'd like to know more, The Fairfax County Economic Development Authority will be happy to send you a complete brochure with details on taxes, transportation, cultural attractions, lifestyle, costs of doing business, educational resources and other subjects critical to a locational decision.

Once you discover the advantages of locating your company in Fairfax County, right in the middle of the greatest concentration of power and influence in the world, you may reach the same conclusion that Mobil Oil and the others reached.

This may just be the best place in America for business to work.

FAIRFAX COUNTY, VIRGINIA.

Please send me complete information on all the advantages of a Fairfax County, Virginia location for my company.

Name/Title _____

Telephone _____

Company _____

Address _____

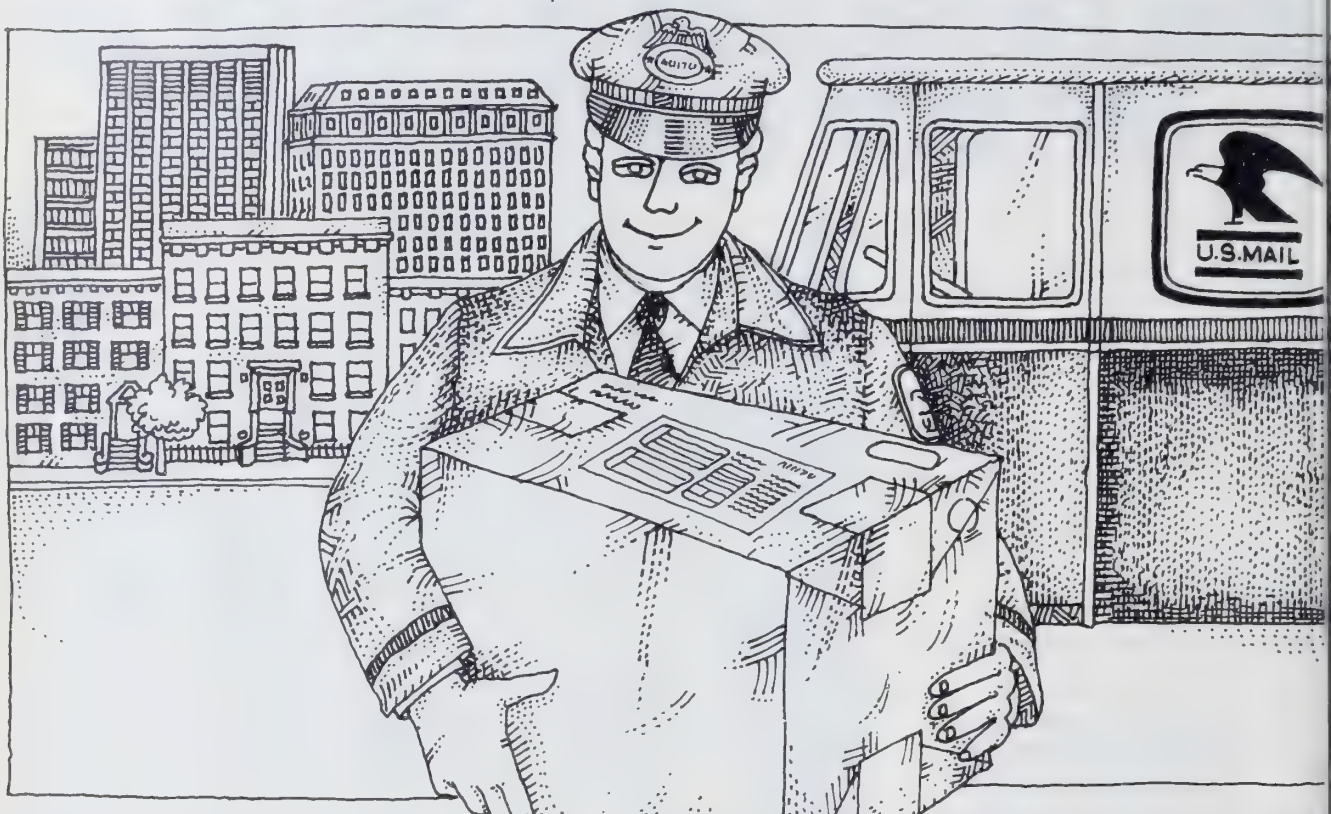
City _____

State/Zip _____

Inquire in confidence to: Mr. David Edwards, Executive Director, Fairfax County Economic Development Authority
8330 Old Courthouse Road, Suite 800, Tysons Corner
Vienna, Virginia 22180 Phone (703) 790-0600 F1

This may be the best place in America for business to work.

HOW THE 4 EXPRES
CAN PUT TIME O



Every business has times when it must get a package, letter or document delivered to another city as quickly as possible. That's why the Postal Service created Express Mail – to give you fast, reliable, insured, on-time delivery. That's a pretty big promise. Here's how we can keep it.

NEXT DAY EXPRESS MAIL

When it must be in another major city tomorrow, on time – no ifs, buts or maybes about it – this is the service you want.

Ask anybody who's ever used Express Mail Next Day Service. It guarantees* delivery of urgently needed parts *overnight*. Gets contracts where they have to be *on time*. Delivers the goods, whatever they may be (up to 70 lbs.), the next day.

Express Mail Next Day Service offers door-to-door service throughout the city delivery area of all Express Mail Post Offices. You can arrange a regularly scheduled pickup on one or more days of the week, at any time convenient to you that allows your shipment to be processed at the Post Office by 5 PM. That way, we can guarantee delivery the next day.

Or if you can't schedule pick-ups, you can take your shipment directly to your nearest Express Mail Post Office before 5 PM.

We serve 1,000 cities but not all of them from any one city. Cities that are possible to reach by the next morning vary depending on air transportation from the originating city.

To reach these cities, your package gets special attention from the minute you put it in our hands. Out of the Post Office faster... to the airport quicker... loading (and unloading) priority over any air freight. It flows through a streamlined system all the way to its destination!

When you have to get something to somebody tomorrow, Next Day Service is your best bet.

* Our guarantee: 100% refund of Express Mail p age upon application at origin if articles mailed 5 PM at an Express Mail Post Office are not a for claim at a Destination Express Mail Post C 10 AM next business day; or delivery is not atte by 3 PM of the next day (unless delayed by strik work stoppage).

MAIL SERVICES YOUR SIDE.

STOM DESIGNED PRESS MAIL

Whether you realize it or not, a your high-priority shipments bly go on a regularly scheduled between the same locations. ay have regional sales Offices or y centers that need information

terials delivered at a particular f day every Monday, or Friday, n five days a week. Your needs fferent from anyone else's. s why we created Custom ned Express Mail, the guaran- service that is custom-tailored n company's individual needs, irs a day, 365 days a year, to and ny place in the country. nce we know what you need, velop a shipping system that is cally tailored to your require- , and sign an agreement with pick up and deliver on time, ierchandise and reconstruction nce thrown in at no additional . It's like having your very ivate high-priority shipping ny.

e: If your shipment is not delivered or avail- ickup within 24 hours, you can claim a full postage (unless you had specified a longer ime, or unless delayed by strike or work).

SAME DAY AIRPORT EXPRESS MAIL

When tomorrow is too late, this is the service that will do the job for you. Guaranteed!†

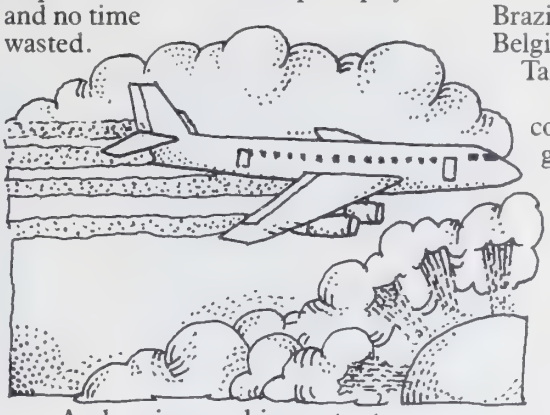
In fact, Same Day Airport Express Mail gives you the fastest mail delivery possible between 51 airports in 49 major cities. And at low rates, too.

To make it happen, we work together. You get it to us at the airport mail facility (usually in the Cargo Area).

We get it on the next available plane to your destination.

The addressee picks it up there.

We tell you – in writing – when it can be picked up at the destination airport so the shipment can be claimed promptly and no time wasted.



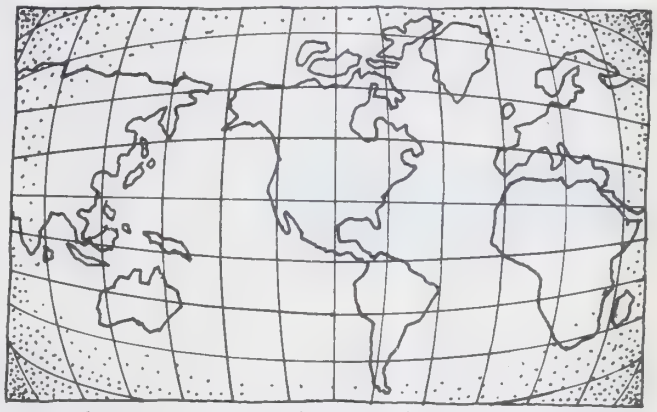
And we insure shipments at no extra charge.

Same Day Service. For super speed service, you just can't beat it.

†Guarantee: You can claim a full refund of postage if your shipment isn't available when we say it will be (unless delayed by strike or work stoppage, or by delay or cancellation of flights).

INTERNATIONAL EXPRESS MAIL

Even if you have to get a package to Hong Kong or Amsterdam in a hurry, you still don't have to take it further than your local Express Mail Post Office. As soon as we get it, the Express Mail wheels start turning. It will be delivered as fast as overnight



or on the second day to Japan, the Netherlands, the United Kingdom, Brazil, Hong Kong, Australia, Belgium, France, West Germany, Taiwan, Singapore or Switzerland.

And customers in those countries can use this service to get the same fast delivery when sending a package to you.

If your shipments regularly go to the same destination(s), it will certainly pay you to find out about our International Custom Designed Service, which is the highest-priority overseas mail delivery you can get.

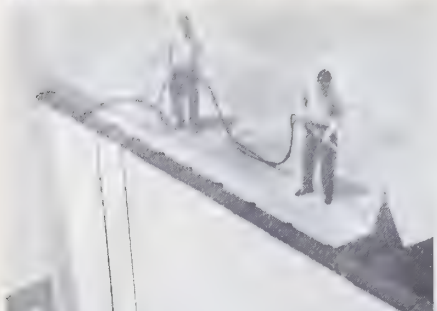
For more details and prices, call your local Express Mail Post Office, listed in the Yellow Pages under "Air Cargo."

U.S. MAIL®

EXPRESS MAIL®

EXPRESS MAIL. ON TIME RELIABILITY.

SPRAY YOUR OWN ROOFS



WHAT'S SO GOOD ABOUT OUR ROOF SPRAY SYSTEM?

1. ECONOMY. The Randustrial® Roof Spray Process can save you up to 50% on labor costs—because your own men do all the work. We loan you the equipment FREE OF CHARGE.
2. CONVENIENCE. You decide when the work is to be done. We instruct your men on the use of the equipment and proper roofing procedures.
3. EFFECTIVENESS. Simply patching and spraying your roofs once every 3 to 5 years with Randustrial®'s quality roofing materials prolongs roof life and saves replacement costs.

Randustrial® Corporation
Sales Offices in Principal Cities

13306 Union Ave./Cleveland, Ohio 44120
(216) 283-0300

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).

Canadian orders, add $4 a year.

Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)

New Address:

City

State Zip

F-4826

Follow-Through

Hardware or handshake?

Bankers were choosing up sides on how (and in some cases, whether) to handle retail customers when FORBES took a look at that aspect of the business a year ago *(Mar. 6, 1978)*. In the center ring, New York, were Citibank, the city's biggest, which had opted to go all out with automatic teller machines, and a major rival, Chemical Bank (number five in New York), which was putting its money on face-to-face dealings.

The conclusion of the debate is not yet in sight. Chase Manhattan is ready to install automatic tellers and expects to have 100 of them clicking by the end of the year. This fall, Bank of America, biggest in the country, will begin a 12-month pilot program with 30 to 40 machines, probably in the Bay Area. The West Coast has lagged, Vice President Daniel Eitingon says, for two reasons: the number of branches (BofA alone has 1,100) and the California lifestyle. "We've long had facilities like 24-hour supermarkets that would cash checks," he notes, so the urge for owl-hour or weekend banking was not so pressing. Others are dropping out. New York's Bankers Trust is selling about 90 branches to Canada's Bank of Montreal to concentrate on the more profitable commercial, big-customer business.

Citibank's Senior Vice President Richard M. Kovacevich now has 400-odd machines in operation in 207 sites in the New York area, 180 of them 24-hour, seven-day "banks." More than 650,000 Citibank customers, representing haps 540,000 accounts, have signed use the machines, and are using the a rate of close to 50 million transac a year. The number Kovacevich str however, is that 85% of his custo that have used the machines once come back to the console. "That's statistic we are most proud of," he

Downtown at Chemical, Exec Vice President Robert I. Lipp still th the handshakes beat hardware. "I am against technology," he insists. "W vor a balanced approach of man and chine, employing technology to su men." Nor has Chemical neglected nology. It has about 44 of its m machines in place and besides sen branch managers out on the flo shorten lines by handling on-the transactions, Chemical has armed it man tellers with an electronic net that lets the clerk in the cage ha more than 50% of a customer's dea with the bank's computers. Lipp's word: "Our most important tool is branch manager."

Banks on both sides of the automa scene, in fact, are using the com and its by-products to speed and sim dealing with the retail customer. C for example, has completed an elec ics system ("COMETS") to extend reach of its human tellers. Manufactu Hanover has hooked its 180 metro tan New York branches into its "C system (for "customer integrated ence file"). Thus, a Manufactu spokesman says, it has been able t

One of Citicorp's automated "Citicard Banking Centers"
Would you rather push a button, or shake a friendly hand?

Follow-Through

ıting costs, the bugaboo of retail ing, and still keep open a wide range tions to handle the traffic.

ıtomation has anything but elimi- d the human touch. The most auto- d of them all, Citibank, has had to people. "Far from reducing," Kovace- says, "we have actually increased ustomer-contact staff by 21% since ." In addition, Citibank has in- ed spending to train new employees ld in the past three years and in gave its hands, old and new, 00 hours of training.

the machine may be coming on g for the banks but the human hand ll on the till.

Out of the pits

e winter of 1978 copper was in the freeze. Though demand was holding it had increased by 7% in 1977— s were at the poverty level, 55 cents nd, less than half the 1974 tab and han it cost in many mines to dig the . Some major producers—Zaïre, bia, Peru and Chile—were ignoring aws of supply and demand and heap- copper onto the market, and the d surplus had mounted to more than llion tons, or six weeks' supply. "An e industry," Hudson Bay Mining's rman H. Ronald Fraser told FORBES *20, 1978),* "has virtually been com- d to forswear development and re- itself to living by cannibalism."

day, the view is from the other end e mine shaft. Prices are near the $1 and headed higher. Jean Vuillequez, dent of New York's Metal Traders, who was talking hopefully about $1 er a year ago, now thinks the price d go to $1.50 a pound. "The 1-mil- ton warehouse stock of last year has ably come down to around 400,000," ys, "but the cream is gone."

hat happened was that demand "was ore buoyant than we had expected," Jack E. Thompson, president of mont Mining. And no new supplies showed up. "Two major new mines cted in 1978 didn't make it," mpson points out, "one in Iran, one exico, with combined capacity near 00 tons. The one in Mexico is be- schedule, and in Iran, well. . . ." At ame time, overproducers like Zaïre, bia and Chile have cut back. So, mpson notes, "while some were see- 00,000 to 400,000 tons' excess ca- y in 1978, it turned out that there hat much of a deficiency."

illequez is more bullish than ever. "I copper stocks are cheap," he says. "I copper is cheap, and we'll see a much r price—with fluctuations." ■

Robertshaw automatic systems control processing of 309 million gallons of watery waste daily for Metro Washington.

Recently-expanded facilities for the District of Columbia Water Pollution Control Plant at Blue Plains have 18 football-field-sized thickener flotation units and 30 vacuum filters for solids processing. With this third addition since the 1965 pilot plant, Robertshaw engineers were responsible for sophisticated systems with 48 master panels to automatically control removal of sludge wastes. Results—a cleaner discharge in sewage treatment for the District and a major portion of four adjoining Virginia and Maryland counties.

Pollution control, process efficiency, saving energy—these are some of the prime tasks for the 10,000 controls and control systems from Robertshaw Controls Company. Write to Dept. IIF, P.O. Box 26544, Richmond, VA 23261. Or call 804/282-9561. Exports: call Robertshaw International Operations, 804/285-4161.

Robertshaw®

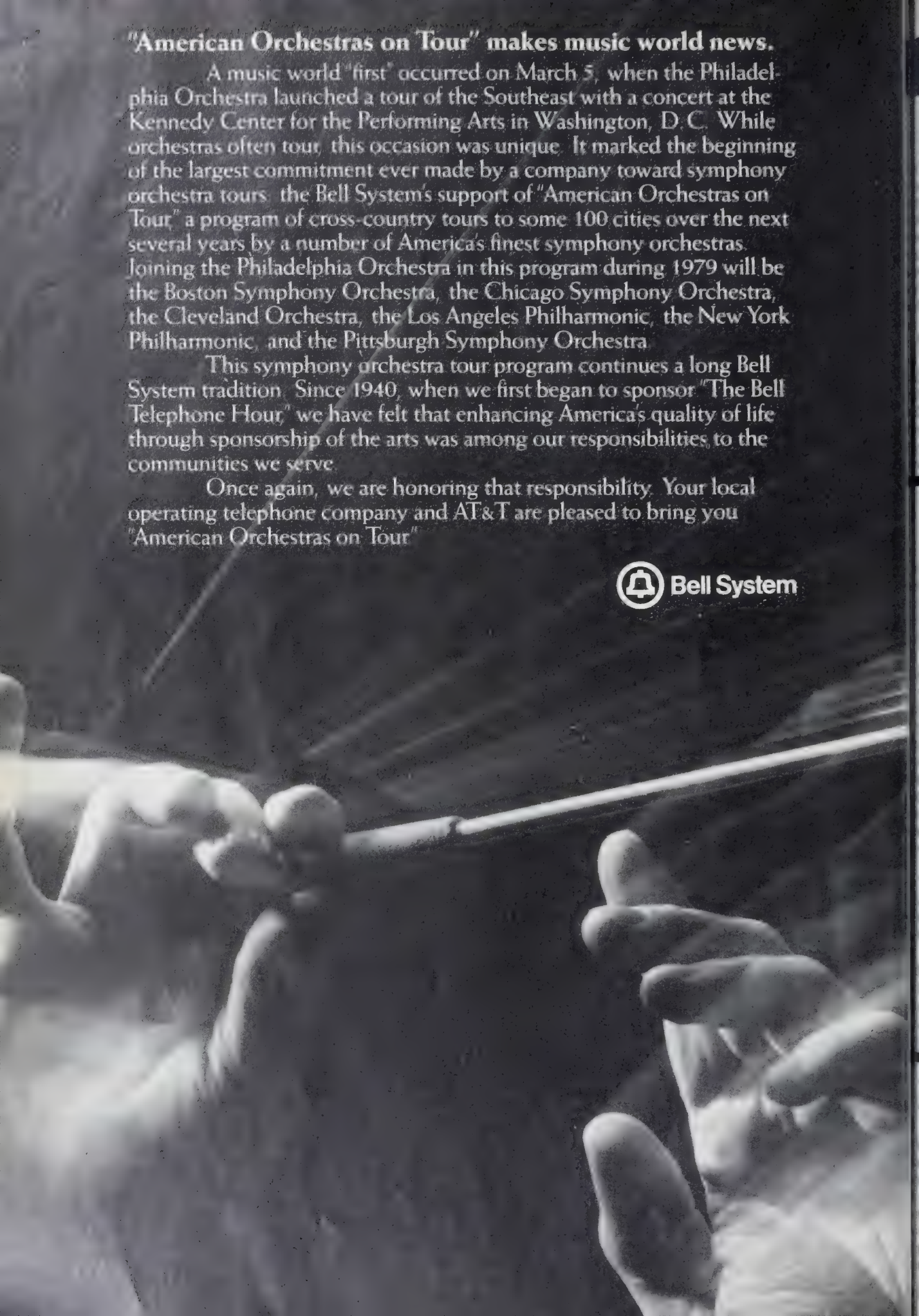
The Energy Control Company®

London Bridges.

We have more of them than anybody—since we fly to more places in Europe more frequently than any other airline. (More places, chances are, than you've dreamed of going, for business or pleasure.) From Britain we fly to more than 70 cities on the Continent. Have frequent flights to all major Western—and Eastern—European cities like Copenhagen, Frankfurt, Berlin, Milan, Warsaw, Prague, Budapest. Even more frequent flights to Brussels, Amsterdam and Paris. And shuttle-service from London to Edinburgh and Glasgow. Call your Travel Agent, Transportation Department or British Airways—tell them Robert Morley says you'll be awfully well-connected.

British airways

We'll take more care of you to Britain, Europe, the World.



"American Orchestras on Tour" makes music world news.

A music world "first" occurred on March 5, when the Philadelphia Orchestra launched a tour of the Southeast with a concert at the Kennedy Center for the Performing Arts in Washington, D.C. While orchestras often tour, this occasion was unique. It marked the beginning of the largest commitment ever made by a company toward symphony orchestra tours: the Bell System's support of "American Orchestras on Tour," a program of cross-country tours to some 100 cities over the next several years by a number of America's finest symphony orchestras. Joining the Philadelphia Orchestra in this program during 1979 will be the Boston Symphony Orchestra, the Chicago Symphony Orchestra, the Cleveland Orchestra, the Los Angeles Philharmonic, the New York Philharmonic, and the Pittsburgh Symphony Orchestra.

This symphony orchestra tour program continues a long Bell System tradition. Since 1940, when we first began to sponsor "The Bell Telephone Hour," we have felt that enhancing America's quality of life through sponsorship of the arts was among our responsibilities to the communities we serve.

Once again, we are honoring that responsibility. Your local operating telephone company and AT&T are pleased to bring you "American Orchestras on Tour."

Bell System

For well-fed readers

Your article on the tractorcade *(Mar.* rns my stomach, makes me want to t—not because of the action that armers are taking, but because of the eaning and callous attitude that your le conveys. It seems that after 40 of farmers subsidizing the urban and fiber bill to the tune of 20 cents ne dollar that you would report this to your well-fed readers. The farm- nope is that prices move up some so he can start redeeming his land and hinery which is "in hock." I don't e you will print this letter so I am ng a few copies to some of your rtisers.

bert C. Tustison
egie, Okla.

Railroad mergers

To achieve [the desired railroad in- y] efficiency, the failures of past ers, dealt with at length in your e *(Mar. 5)*, must be avoided. The Central merger emphasized imme- melding of railroad giants; the re- was indigestion. In stark contrast, sie-Seaboard proposes a merger of noncarrier parent companies into a e new parent company, and the un- ing railroads are not changed. The tions of the railroads will be coordi- l over time to achieve the single- m efficiencies.

s T. Watkins
man and President,
e System, Inc.
land, Ohio

You classified Kansas City Southern way as a "marginal carrier." We are l of our performance over the past al years. It has not been marginal investors have recognized the ess made.

ne O. Hockaday Jr.
ent,
s City Southern Industries, Inc.
s City, Mo

Alternatives to No. 8

In "Are there gnomes in Con- cut?" *(Mar. 5)*, you erect a general- n on the basis of one company's on that FASB Statement No. 8 been detrimental to the dollar. e note that results of the U.S. Trea- investigation do not support that sition. The FASB *is* reconsidering ment No. 8 and, I can assure you, will be thorough and objective.

—Donald J. Kirk
Chairman,
Financial Accounting Standards Board
Stamford, Conn.

SIR: Many of us financial executives in industry presented arguments and alternatives to the FASB on Statement No. 8 but were completely ignored so that the theorists triumphed.

—William D. Serfass Jr.
Executive Vice President,
HMW Industries, Inc.
Stamford, Conn

Corporate architecture

SIR: Re your comments on corporate architecture *(Fact and Comment, Mar. 5)*. [The Philip Morris Building] is going to be a distinguished building architecturally, and will tie in with the present architecture of the area and Grand Central Terminal. I hope after you see the building you will be in a position to make a better judgment.

—George Weissman
Chairman,
Philip Morris Inc.
New York, N.Y.

SIR: As the architects for the new Philip Morris building, we are extremely disappointed in your point of view, which we feel is not well informed. You recommend the anonymous glass box as an appropriate corporate setting, which is being rejected by office workers as a sterile, punch-card world. Philip Morris deserves great credit for recognizing that humanism has an important place in the corporate world.

—Ulrich Franzen, FAIA
Ulrich Franzen & Associates
New York, N.Y.

SIR: You dismissed Philip Johnson's AT&T building a bit too quickly. It possesses qualities the Avon building does not: personality, character and a response to the New York skyline. The AT&T building will make the history books, but "that nifty number 9" never will.

—Kevin C. White
Brooklyn, N.Y.

Savin copiers

SIR: Savin Corp. is quite proud of the leadership position it has attained in the office copier industry. It was therefore disturbing to read through your Jan. 8

MORE BRITISH THAN A STIFF UPPER LIP.

Nestling near Belgrave Square, London, is the Ladbroke Belgravia Hotel. Central, but blessed with a distinct air of tranquillity.

It's small, friendly and exceedingly civilised. It has 110 rooms, each equipped with colour television, direct dial telephone, and individual air conditioning.

It's the kind of hotel where your drink is served, not in an ordinary glass, but in one of cut crystal.

Where, between sips, you can nibble on a canape or two, chosen from those presented on silver trays by the waiter. Asparagus and smoked salmon, perhaps, or a piece of robust English cheddar.

Should disaster have struck earlier in the day, or at best just minor inconvenience, you'll discover a needle and thread in your room to help rectify the situation.

The bathrooms are complete with a telephone extension, so you can retain your dignity, instead of having to scutter, dripping, to the bedside table.

And if we can't provide you with a certain something, it's really nothing to worry about.

Harrods is just round the corner.

Ladbroke Belgravia

LADBROKE BELGRAVIA HOTEL · CHESHAM PLACE · LONDON SW1X 8HQ

For reservations call 800 621 8336 (in Illinois call 800 972 8089) or see your Travel Agent.

"Life is good in Dallas/Fort Worth because we have the right attitude."

Stanley Marcus
Chairman Emeritus
Neiman-Marcus

"One of the things people always ask me about Dallas/Fort Worth is what's it like to live there? What do you do besides work? And what do you do for fun?

"In that regard, the Metroplex has a great deal to offer.

"For instance, the Kimbell, Amon Carter and Fort Worth Art Museums are three of the great museums of the country. All in a city of half a million people.

"And the Dallas Museum – it's bursting at the seams with collections and acquisitions. We have Preston Jones, Playwright-in-Residence at the Dallas Theatre Center. They're doing bold new things there.

"Audiences continue to grow at the symphonies. And there are plans for an important cultural center in Dallas that will include a major symphony hall, new museums, provisions for future development for the other arts.

"All this relates back to the communities that have been supporting these things. And to the attitude – it's positive.

"In fact, I don't know any cities of comparable size that support the arts so aggressively.

"Life is good here because we have the right attitude. That attitude has had a great deal to do with the growth of the arts and the Metroplex."

If your company is considering relocation or expansion for any of its operations, contact us now. We'll provide all the information you need on the Southwest Metroplex. Write Worth M. Blake, President, North Texas Commission, P.O. Box 61246, Dept. U, Dallas/Fort Worth Airport, Texas 75261. Or call 214-574-4430.

The right attitude.

Dallas/Fort Worth
The Southwest Metroplex

Readers Say

article on information processing page 236 you state that the Xerox "which is priced about the same a vin," has "superior performance seems that this statement is rather trary, with no basis of fact. I think i were to look at the machine spec tions of the 2600, and our model 755 would see that there are several si cant advantages to the Savin copie cluding faster copying speed and first-copy speed—plus proven reliab

—Gabriel S. Carlin
Executive Vice President,
Savin Business Machines Corp.
Valhalla, N.Y.

More "Sayings"

SIR: Re MSF's book *The Sayings of man Malcolm*—the other day, while sitting on the dais enduring a gro luncheon speakers before it was my to rise, I thought of an aphorism t hope you will embrace: Speakers say they will be brief seldom are.

—W.E. Phillips
Chairman and President,
Ogilvy & Mather Inc.
New York, N.Y.

SIR: Shame on you! "When your cup neth over, turn off the tap," i *(Thoughts, Mar. 5)*. Much more pos in my opinion: When your cup run over, get a bigger cup.

—Jacqueline Loomis Quillen
New York, N.Y.

Methanol from Alask

SIR: You point out that a major obs to the wider use of gasohol is the cu limited supply *(Feb. 9)*. We also re the press about the problem of finar an Alaska natural gas pipeline. T two problems might well have a mon solution. Methanol plants ca constructed on barges in industria areas and towed to Prudhoe Bay. T plants can convert the produced na gas into methanol, which could be t ported in surplus existent capacity i Alyeska oil line and then transport tankers to destinations on the Coast. By using this method we w avoid a very expensive natural gas line we can't afford, and also have a able the large quantities of met needed for gasohol.

—Professor Sullivan S. Marsden Jr.
Dept. of Petroleum Engineering,
Stanford University
Stanford, Calif.

RCA launches television's first 4-hour video cassette recorder.

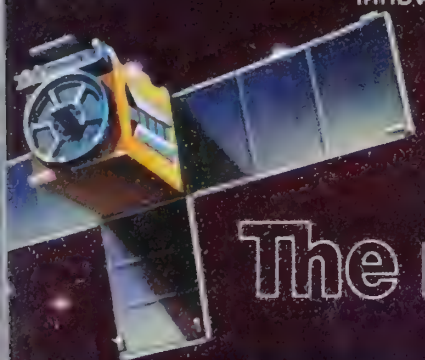
When television becomes more versatile, it's only natural to find RCA right there.

The SelectaVision video cassette recorder is the first video cassette recorder with a 4-hour capacity on a single cassette.

Viewers can tape any program off the air, replay it at their own convenience – and use the same cassette again and again for additional recording. They can record from one channel while viewing another. A built-in timer makes it possible to tape up to 4 hours automatically while everyone is asleep or away. There is even a black & white camera option that enables anyone to shoot a home-grown television special.

RCA is marketing this exciting new consumer product at a highly attractive optional retail price – and with heavy promotional and advertising support. The goal: to carve out a significant share of what promises to be a billion-dollar market.

From home entertainment products to Coronet floor coverings, from Hertz rental cars to weather satellites, RCA is dedicated to innovation, quality and steady growth. © 1977 RCA Corporation



The many worlds of RCA

Sunday,
ber 17

How International Paper makes Sunday supplements look good enough to eat

Now International Paper is rolling out a super gravure paper in Quebec, Canada.

It's a paper that publishers and printers definitely *needed.*

Supplement publishers have felt the pressure to make pictures look as lifelike as possible to attract advertisers of products like foods, where mouth-watering reproduction is essential.

Advertisers need better printing quality in catalogs and magazines to show off products with more detail and better realism for more appeal.

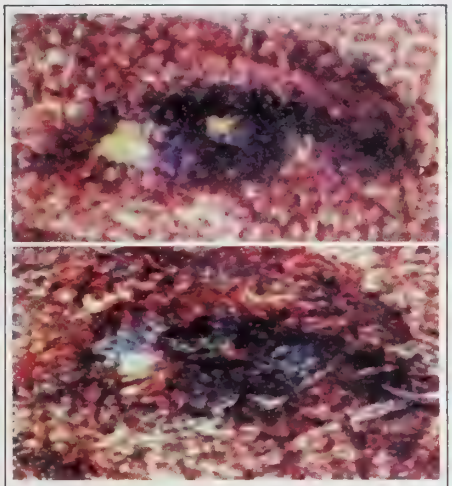
Publishers and printers have been looking toward the paper industry for new paper stocks to complement their new updated printing methods.

Committing $7.5 million

International Paper sensed their needs. So we're committing $7.5 million in Canada to produce this paper.

Now we're rolling it out!

We call this product Supercal. It's a specialty groundwood gravure sheet that fills the gap between the best gravure newsprint for newspaper supplements and the least expensive coated stock for magazines and catalogs.



Which eye is on Supercal? Ink bleeds more on ordinary gravure paper (bottom). Supercal (top) allows clearer, firmer dots for sharper detail. (Both enlarged 16x.)

We are making this newest grade in our *oldest* newsprint mill—Trois Rivières, Quebec.

IP has spent 80 years making newsprint. And 30 years making gravure papers.

Fifth-generation newsprint makers

Our seasoned craftsmen run to fifth-generation papermakers. They know their stuff.

They *have* to. The making of this specialty gravure sheet calls for a critical combination of chemicals and fibers and careful control of machines to end up with high gloss and smoothness.

Hard surface reproduces better

This super care gives Supercal a special hard surface finish. So gravure colors don't soak in and turn dull, but sit up brightly for deliciously lifelike reproduction.

That makes Supercal perfect for newspaper supplements as well as catalogs.

Supercal can even be useful for magazine publishers, too. It gives them another option in the mix of papers in each issue.

This responsiveness by IP to the printing and publishing industry is one example of how we solve our customers' problems in *every* industry—from publishing to food packaging, energy, the medical field and more.

May we help you? For further information, write: International Paper Sales Company, Sun Life Building, Montreal, Quebec, Canada H3B 2X1.

INTERNATIONAL PAPER COMPANY

220 EAST 42ND STREET NEW YORK, NEW YORK 10017

s Supercal gravure paper makes reproduction in newspaper
lements, magazines and catalogs so attractive, readers might
they could reach out and lift a product right off the page.

When you're spending 8 hours or more up here, engine reliability is something you want to take for granted.

You can only do it in the Gulfstream III.

As you would expect, we are carefully studying the several so-called "long-range" business jets, and especially their engines.

We are interested because (1) our own Gulfstream III will be a reality in 1980; and (2) from more than a decade of experience with the Gulfstream II, we believe we have a clear understanding of the unique requirements for powering an executive jet with intercontinental range.

In fact, the airline-proven Rolls-Royce Spey turbofan engines that power the fleet of over 225 Gulfstream IIs have now gone beyond 1,300,000 hours, routinely flying the world's business and government leaders to destinations on every continent. In total, the Spey has amassed over 13 million hours in world-wide commercial operations.

And so, we think we have a valid [illegible] for objective comparisons of [illegible] performance.

[illegible] that we've learned, no other [illegible] engine in executive service approaches the Rolls-Royce Spey in terms of total performance.

It has an incredible record of in-flight and on-time departure reliability; unmatched power versatility; excellent cruising fuel efficiency at airliner speeds above 40,000 feet; ease of maintenance; and a time-between-overhaul of 7,000 hours—about 10 years of flying in a typical corporate operation.

A new definition of the ultimate.

When the Gulfstream III enters service, no other executive airplane will be able to carry as many people as far as comfortably. And, we might add, so dependably. The key to this superiority will be these same airline-proven Rolls-Royce engines, perfectly matched to a superlative Grumman-designed airframe.

As you evaluate your investment in an executive jet for the 1980's, be sure to discuss engine reliability with Charles G. Vogeley, Gulfstream American Senior Vice President, (912) 964-3274, or Samuel L. Higginbottom, Chairman and President, Rolls-Royce, Inc., (212) 935-9400.

The place to get the facts is down here, not up there.

Gulfstream American

[illegible]tion, contact Gulfstream American Corporation, P.O. Box 2206, Savannah, Georgia 31402; Rolls-Royce, Inc., 375 Park Avenue, New York, N.Y. 10022. or Rolls-Royce Limited (Aero Division), P.O. Box 31, Derby DE2 8BJ, England.

Member of GAMA

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

IF WE WANT TO BE TOUGH

r reactions to those abroad who delight in thumbing their s at us, there's a simple but hard way to do it: We must our ever-greater dependence on imported oil.

ere's no other way.

ere are many ways to go about it. One is to free the gy companies from smothering price-control rigmarole. ordinary profits not plowed into the development of ional energy can be penalty-taxed. At the resultant er, *i.e.*, real, price, wasteful energy use will greatly less- nd the stuff will soon be coming on stream in surfeit—gas as well as oil; coal, gasified or as is.

And we should promptly pull the plug on those who've plugged up atomic energy.

At the first opportunity, we'd better get our thumb out on that oil storage program intended to provide us with a three-to-six-month ready reserve.

There's a price for independence, for political and economic freedom. It's not so blamed high that we can't pay it. The price of ever increasing our dependence on others for energy is what's too high.

IMAGINE—NOW WE'RE ROOTING FOR KHOMEINI

ve thought we had a dire Iranian *crise* before Khomeini, be even more catastrophic should Khomeini be unable in fact and in intellect to establish a government. A rnment that can govern, a government that can gather ient police and army strength to cope with the well- d, well-organized dissident groups ranging from indepen- e-seeking Kurds to fanatic Leftists.

Ruthless Red regimes rule right now through the barrels of their guns in Afghanistan and South Yemen, Islamic faith notwithstanding.

Khomeini could turn out to be the Kerenski of the Iranian revolution. If this 78-year-old can't govern or too soon drops dead, the result could be even more world-power-shaking than his ascent has been.

SAUDI-U.S. RELATIONS INEXCUSABLY FOULED UP

r appalling lack of understanding of, even elementary nunications with, Saudi Arabia is utterly inexcusable, ly inexplicable.

ve we no intelligence—that's with a lower case "i"—in State Department, in the Defense Department, in the dent's Office, when it comes to comprehending the Sau- roblems that result from the Iranian revolution?

e Saudis' prime concern isn't the prospect of a military ion by the Russians or from a Russian-backed puppet neighbor. The reigning family, Saud, has to be concerned the Islamic fervor that played the key part in sweeping he Shah, because royalty, *per se*, is not part of the Islamic ing.

en the popular, people-oriented, deeply and actively reli- Saud family has to be wary of appearing in any way to be . cat's-paw in the Middle East.

ven the present tense, tenuous situation there, how in God's or Allah's name could we expect the Saudis to exert pressure to support Egyptian-Israeli peace prospects, which they have intensely disliked from the very beginnings?

It's hard to believe that Defense Secretary Brown had either such incompetent Intelligence or so lacked normal intelligence that he actually offered Saudi Arabia a U.S. military base, or some such "Presence." For the Saudis, at this hot juncture in that erupting oil world, standing off a bit from the U.S. seems an obvious, safer posture.

The Saudis are friends of America. They know it is in *our* interest as well as their own to make sure Russia, directly or through outside neighbors, doesn't seize them.

But it wasn't *outsiders* who seized Iran—yet.

It was internal, and we'd better stop making Saudis' reigning family's internal situation more difficult by taking actions, making offers and Senator Church-like threats that can only weaken their relations with the rest of the Arabic-Islamic world.

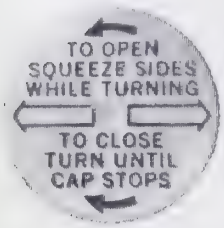
IF LEE MARVIN LOSES

the institution of marriage will be dealt a more devastating blow than divorce has proven to be.

All it takes, if a gal and a guy want the privileges, bonds and joys of marriage, is a $5 license and mutual desire.

Unmarried togetherness is voluntary, a choice knowle ably made. Why should either or both parties have the l sanctity, the legal rights and privileges of those who under to be legally bound?

COSTLY OVERKILL TO "SAVE" KIDS



When thee and me were kids at varying lengths of time ago, parents kept things we weren't supposed to swallow (like iodine or too much candy) out of reach as well as out-of-bounds. But Washington's bureaucratic regulators apparently think today's parents—and children too, I guess—are mostly idiots.

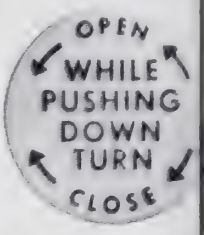
Take this business of safety tops for potions and pills. How in heck can the arthritic or merely frailing old these days get the tops off of the pills and vitamins and other things they're supposed to take? PRESS, TWIST, PUSH, PULL, etc. Colgate's new Fluorigard mouth rinse has a top on it that I (not yet either that old or frail) have to fight to get off—"squeeze and turn at the same time" it says.

Now—by law, mind you—prescriptions have to be in dark containers, in case some dummy might leave 'em in the sunlight too many months instead of on the medicine sh

At a cost of countless $millions in repackaging, have c dren and adults actually been made safer?

Multi-$billion nonsense. Another spur to inflation, lik many well-motivated, unthought-out regulatory eruptions

As it has been for decades past, there's only one way to keep kids safe from what's unsafe in the many containers every house contains. Keep the stuff out of reach, and take the time to teach your kids not to put their hands where they shouldn't.



So, too, with toys. Only caring parents can protect kids f the dangers of toys they're too young to cope with. Don't tots things of swallowable size if that's the age they're at.

The lack of common sense that runs through the end rules and regs thrown up, out and about by federal agen accounts for a larger percentage of our inflation rate than current federal deficit does.

RESTAURANTS—GO, [illegible], STOP

● **Le Cirque**—58 East 65th St. (Tel: 794-9292)—opened five years ago to great acclaim. The recent enticing of a chef from super *Le Cygne* has put the food back in the top of the class, matching the customers who continue to line up in droves. One of those rare cases where the owner, Sirio Maccioni, never stops working on the job.

● **Gloucester House**—37 East 50th St. (Tel: 755-7394). I had forgotten what a superior seafood restaurant this is. Indubitably, the best in this seaport city—which has less than a handful of decent fishhouses. Expensive, but what else is new.

● **The River Cafe**—1 Water St., Brooklyn (Tel: 522-5200). The view of Manhattan from this restaurant-on-a-barge under the Brooklyn Bridge is vastly more spectacular than the food—which isn't bad. A definite Big Apple asset, though creator Michael O'Keefe had endless hassles getting all the required city permits.

● **Primavera Ristorante**—1570 First Ave. (Tel: 861-8608). A *Regine* maitre d' with a *Parioli Romanissimo* chef has added one more to the few outstanding Italian restaurants in New York. Sauteed butterfly shrimp, splendid veal dishes and cakes worthy of the name. Forget the spaghetti. Funny, isn't it, that only Parioli Romanissimo and one or two others in all of NYC seem to be able to do well by this supposed staple.

● **Feathers**—24 Fifth Ave. (Tel: 673-0750). Limited menu, ho-hum drinks. Underdone rice and overage fish. Mostly student waiters waiting on student customers. Greenwich Village mediocrity, which is very.

● **David K's**—1115 Third Ave. at 65th St. (Tel: 371-90 When I was on Barry Gray's radio program one day w *Esquire's* Dan Dorfman, both of these discerning Manha eminences were really lauding David K's for serving just ab the finest Chinese food in New York. Never having bee went, and found they're right. The orange beef, the shr Szechuan are standouts, and to this nondumpling lover, even those were tasty.

● **Old Homestead Restaurant**—56 Ninth Ave. CH2-9040). While it may be New York's oldest steak ho only occasionally are its steaks among the better ones. Lo on atmosphere than on taste.

● **Richoux of London**—Citicorp Center (Tel: 753-77 Compared with New York City's only other "good" 24-h restaurant, nearby *Brasserie*, this one actually *is* good. If yo hungry late, the cure's here.

● **Restaurant Raphael**—33 West 54th St. (Tel: 582-89 A very attractive setting for some very good food and attentive service. Supposedly on the *nouvelle* side of cook *i.e.*, naturalness and unrich sauces, but Raphael mostly breac that pitch for tastier results. Solid two stars. Expensive.

● **Harvey's Chelsea Restaurant**—108 West 18th St. CH3-5644). A most attractive restaurant in a most unlik location. The same's true of his other spot, *Landmark Tav* (46th St. and 11th Ave.). The menu differs a bit but is equ good—especially that carrot and walnut cake with the sauce icing (when it is fresh). So too, their Irish soda bread

WHEN CRAIG CLAIBORNE STOPPED

rating restaurants, those who do it and those who read the reviews lost the best in the business. At lunch here recently, he told us he quit because such reviewing was "driving me to drink. I came to hate every minute and meal of it." He'd rather be judged by what he cooks, not by what he says about what someone else cooks.

This Buddha of culinary artistry has an unbounded wit that's sharper than any butcher's blade. Asked how he stays trim while chefing to his heart and stomach's delight, he said he'd taken up "pumping a stationary bicycle. I was so bored on it that for the first time in my life I bought a TV set to watch while pedaling. The stuff on the TV was even more boring, so after spending nearly a thousand dollars on both, I gave the whole thing up, and just decided to eat less. Sometimes."

SOLAR ECLIPSES—RARE AS RHINESTONES

an remember—ofttimes—as a kid, standing outdoors and ng a piece of film before my eyes to watch what, each time, oilled as a "rare" or "once in a lifetime" solar eclipse. seems every two or three years ever since those days, there's been a similar to-do about solar eclipses.

Don't you get the feeling that this repetitive solar phenomenon is about as rare as jewels at a society charity ball or rhinestones in a discotheque?

SURLY WAITERS

spoil more meals than bad cooks.

ONE THING LEADS TO THE OTHER

Good food, good wine, good thoughts, good deeds.

WILL THE FED OVERDO IT AGAIN?

By M.S. Forbes Jr.

One danger arising from the rise in OPEC oil prices is the possible reaction of the Federal Reserve. Higher petroleum prices, of course, will mean more inflation, and the Fed may react the same way it did after the 1973-74 oil embargo.

The then-Fed Chairman Arthur Burns severely tightened the money supply. Traditional economic textbooks said that inflation resulted from too much money chasing too few goods. Ergo, since prices were rising, the proper response was to reduce the supply of money.

Burns and his colleagues failed to see that OPEC's act was, in effect, an enormous excise tax. When sales taxes go up, so do prices of goods and services. What Burns should have done was to ease the monetary spigot, not tighten it. As a result, the ensuing recession was far more severe than it would have been otherwise. It was a case of overkill.

Will Chairman William Miller make the same mistake as his professorial predecessor?

Although many economists would advise him otherwise, he should now begin to ease up—a bit—on monetary policy. There has been very little money supply growth since October, and the salutary impact of that on inflation will be felt later this year.

If the Federal Reserve retains or tightens its current grip on the supply of money, however, we will face an unnecessary contraction of the economy.

* * *

On the subject of inflation, how many times have you heard the U.S. compared unfavorably with West Germany? The Germans have a reputation for being far more prudent than we when it comes to government spending and monetary policy.

The differences, however, aren't nearly so great as many view them.

What has helped Germany enormously (not to mention the Swiss and the Japanese) has been the catastrophic fall of the dollar on the international exchange markets. One of the biggest import items for Germany is oil. Since petroleum is paid for in dollars, the weakening greenback has lowered the effective price for the Germans.

What happens if you take out the distortions of foreign exchange? Between the third quarter of 1978 and the third quarter of 1977, the domestic rate of inflation in the Federal Republic was only two points lower than that of the U.S. Our plunging dollar worsened inflation at home *(see this column Nov. 13 and Nov. 27, 1978)* and made it milder in Germany, Japan and Switzerland.

When it comes to spending and monetary policy, Germany's record isn't so formidable either. *Government spending:* As a percentage of the gross national product, total outlays in the Federal Republic are slightly higher than those in the U.S. *Deficits:* As a portion of GNP, German government deficits since 1974 have been higher than ours. *Monetary policy:* For months now, the growth rate of Germany's money supply has exceeded our own.

We do have a real problem with rising prices, but we shouldn't be so quick to give kudos to others on their ability to battle this disease successfully.

CHINESE HUMOR

China's Vice Premier Deng Xiaoping may be a hard-headed pragmatist, but he also has a sharp sense of humor. During his visit to the U.S., Deng was quizzed by President Carter about China's policy on permitting its citizens to emigrate. How much would it be liberalized, the President wanted to know. Replied Deng with a wry smile: "Well, how many people do you want? One million? Ten million? Twenty million?"

When an American corporate executive broached the 74-year-old leader of China on the subject of his tenure, Deng answered, "Don't worry, I intend to stick around. I plan to stay on until 1985 [when the first phase of China's modernization program is supposed to be completed]." After that? "Then I will become a consultant, just as you do in your corporations."

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Politeness, Not Agreement

The sources close to the Saudis said that, as a sign of politeness and hospitality, the Arabs tend to listen and nod when high-level Americans talk with them. But that does not mean that they agree. The Americans seem to think that Saudi reserve is a subtlety of diplomacy, a way of expressing agreement without the embarrassment of speaking out when in fact it is often a courteous way of avoiding the embarrassment of open discord. It seems odd that such misunderstandings should persist after so long and so close a relationship.

—Flora Lewis,
The New York Times

More Overkill

One study [discussed in Merril Eisenbud's book *Environment, Technology, and Health: Human Ecology in Historical Perspective*] has shown that New Guinea natives who live in poorly ventilated huts with their cooking fires actually endure more air pollution than the inhabitants of modern industrial cities. Another observation is that the increase in "background" radiation experienced by people living next to a nuclear plant is the same increase a person would experience in moving from Brooklyn to Manhattan, since the granite rocks of Manhattan produce more natural radioactivity than the sandy shores of Brooklyn.

There is much more [in this book]—an exhaustive discussion of the energy situation, an analysis of misplaced concerns about sulfur dioxide in air pollution, a history of the famous "tunafish" scare in which "poisonous" levels of mercury turned out to occur normally in all fish. . . .

—William G. Tucker,
in the *Wall Street Journal*

Woman Power

"We're running a seminar: American Women. . . . There are problems. The Arab students boycotted the keynote, for example. They said the West will never impose slavery on their men as it has on its own, the same thing Islam said downtown at the U.N. in response to the International Women's Year proposal. The keynote was the Assistant Secretary-General, the woman of highest rank in the U.N. Then the president of a large savings and loan association who also talked about money, power and money power. I'm told Islam showed up for that one. . . . She came into money and power herself by that dumbwaiter route of shuttling dutifully between president father and vice president husband, then chairman father and president husband, until both were dead from premature heart failure and she was left there hanging like a hammock stretched between dead trees."

—from the novel *Gus in Bronze*,
by Alexandra Marshall

Sandwich Philosopher

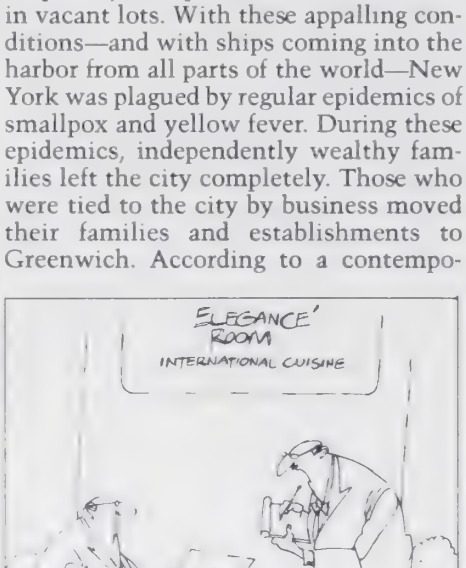
I had a big decision. Whether to teach philosophy for the rest of my life or make sandwiches. I chose to make sandwiches, and I think I've learned more from behind my sandwich counter in New York than I could have in teaching phlosophy.

—Jimmy Dell 'Orto
of Manganaro's restaurant
in New York City

Vacant-Lot Burials

In the eighteenth and early nineteenth centuries, public health standards in New York were on a nearly medieval level—garbage pails and chamber pots were emptied in the street, slaughter houses operated in the city, and burials frequently took place under the streets or in vacant lots. With these appalling conditions—and with ships coming into the harbor from all parts of the world—New York was plagued by regular epidemics of smallpox and yellow fever. During these epidemics, independently wealthy families left the city completely. Those who were tied to the city by business moved their families and establishments to Greenwich. According to a contemporary account, "Very few are left in confined parts of town except the pc classes and the negroes."

—Edmund T. Delaney
Charles Lockw
Greenwich Village, Photographic G



"That's French for 'junk food.' "

© Harbaugh-Rothco Cartoons

Teddy—The Senate's Conscience?

Introducing Kennedy in Minneap Senator Wendell Anderson had thi say: "When Hubert Humphrey died, ple said the conscience of the Senate gone. But in many ways, Senator Ed Kennedy, better than anyone else– in a rather special way—has begun t that role. They are very different but they are also very much alike, w compassionate concern for the bul our society who have too little."

This speech was at least one mea of how far Teddy Kennedy has c The man who cheated on a test in co and probably lied at Chappaquiddick been transformed into the conscien the Senate.

—Aaron Latham, *Esc*

It's easy to identify a succe ful executive. He has a th button suit and a four-but telephone. ***—Robert F***

What Brits Do Best

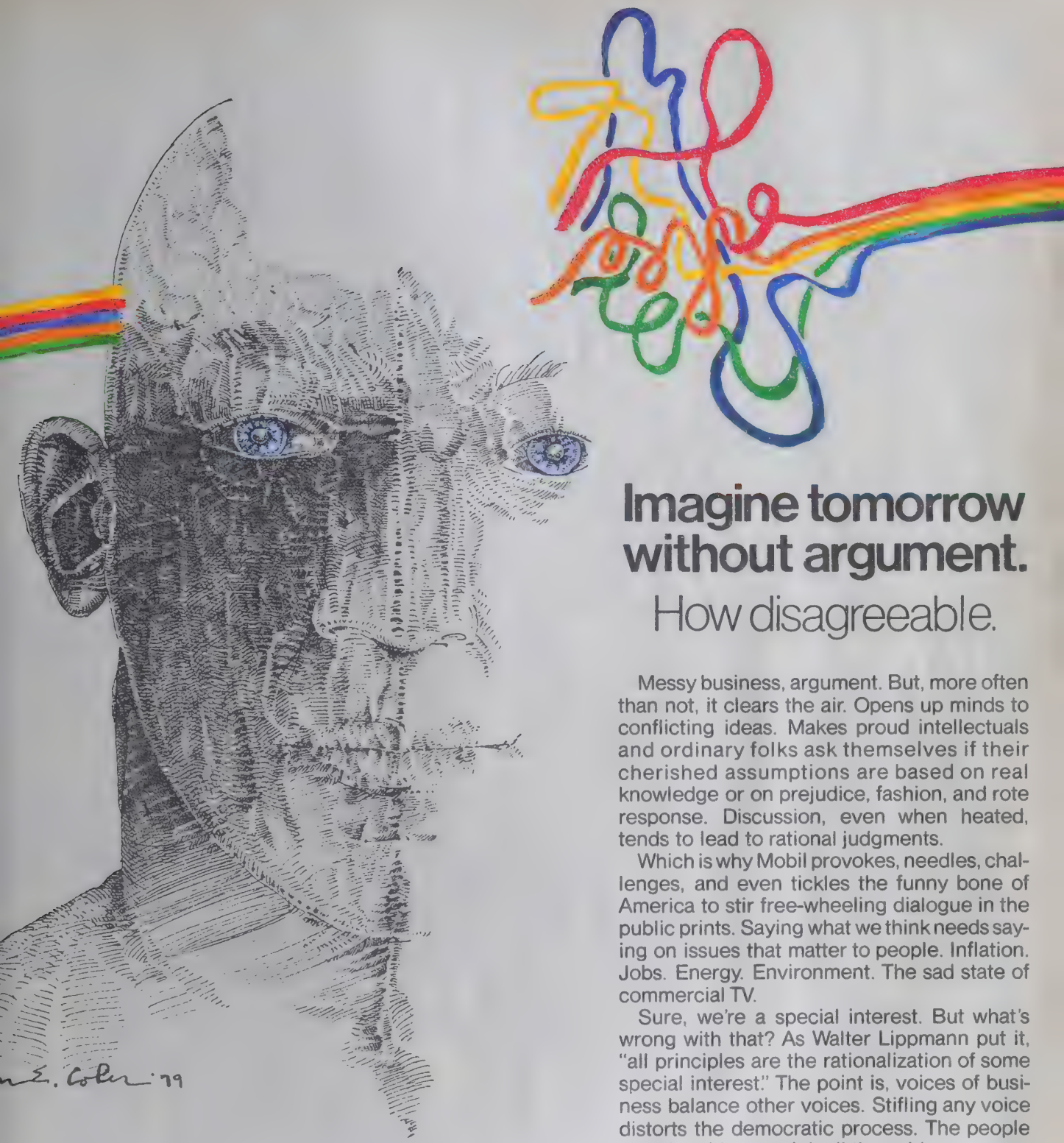
What the British do best is er trash—going to the back of your h for the barrels—deliver mail and at dawn, run schools, provide d and medical care and eyeglasses pittance, broadcast intelligent radio grams, plant pretty gardens, produc ticulate debate, maintain the char of villages and parks, brew real finance a spectacularly good library vice, stand politely in line, avoid ing to strangers and make amateu and uncompetitiveness the goal nearly every endeavor. There is money in this.

—Paul Ther
New York Times Book Re

Frozen Cuisine

In cities the size of Cincinnati Kansas City, food like barbecue chili remains an embarrassment to ple who want to think of themselv living in a big-league city that is so ticated enough to have an array of tinental restaurants—Continental taurants that are modeled, an un traveler can discover, on the conti of Antarctica, where everything s out frozen.

—Calvin Trillin, *Alice, Let'*



Imagine tomorrow without argument.

How disagreeable.

Messy business, argument. But, more often than not, it clears the air. Opens up minds to conflicting ideas. Makes proud intellectuals and ordinary folks ask themselves if their cherished assumptions are based on real knowledge or on prejudice, fashion, and rote response. Discussion, even when heated, tends to lead to rational judgments.

Which is why Mobil provokes, needles, challenges, and even tickles the funny bone of America to stir free-wheeling dialogue in the public prints. Saying what we think needs saying on issues that matter to people. Inflation. Jobs. Energy. Environment. The sad state of commercial TV.

Sure, we're a special interest. But what's wrong with that? As Walter Lippmann put it, "all principles are the rationalization of some special interest." The point is, voices of business balance other voices. Stifling any voice distorts the democratic process. The people must be able to weigh all the evidence, come to their own conclusions, and press their views on our national leaders. So future decisions in our participatory democracy will be based on the noblest wisdom of the past—the First Amendment.

Mobil®

Speaking out for tomorrow... today

©1979 Mobil Corporation

Liggett is a group of growth companies with leading brands in growth industries.

Look at them as a group and the trend is apparent.

From our earliest diversification to brands like J&B and ALPO to our most recent of Pepsi-Cola bottlers and DP/Superstar physical fitness products and sporting goods, the pattern is growth.

As it will be with those we are now actively seeking.

If growth is your investment target, look into Liggett. And, if growth is your company's pattern, by all means invite us to look into you.

Liggett Group

Liggett groups for

The companies of your pleasure.

RITS & WINES: J&B, WILD TURKEY, GRAND MARNIER, BOMBAY, CAMPARI, OTARD, FAZI BATTAGLIA, BERTANI, ACHAIA CLAUSS,
OFT, HENRIOT, SOTTO VOCE, VIN FOU. **PET FOODS:** ALPO, ALPO BEEF FLAVORED DINNER, ALAMO,
A SNAPS. **CHEWING & PIPE TOBACCOS:** RED MAN, RED HORSE, VELVET, GRANGER, EDGEWORTH.
HER PRODUCTS: DP/SUPERSTAR, PEPSI-COLA,* 3-MINUTE BRAND, SUPER POP, BLUE LUSTRE, RINSENVAC, BRITE.

si-Cola Bottling Co. of Fresno. Campari, 48 proof, Austin, Nichols & Co., Lawrenceburg, Ky.; Bombay, 86 proof, Grand Marnier, 80 proof, Carillon Importers Ltd., NYC.

© Liggett Group Inc. 1979

Dawn to dusk on a tankful. That's the new diesel-powered Cadillac.

An estimated cruising range of (540) miles based on EPA estimated mpg (city) mileage figure . . . and 756 miles based on estimated highway mpg . . . dawn to dusk on an average day. That's the available diesel-powered Fleetwood Brougham and DeVilles. These range figures are obtained by multiplying the car's 27 gallon standard fuel tank capacity rating by the EPA estimated miles per gallon rating (city) of (20) mpg and the highway estimate of 28 mpg.

Remember. Compare the *estimated* mpg to the estimated mpg of other cars. You may get different mileage and range depending on your speed, trip length and weather. Your actual city mileage and range will be less in heavy city traffi Your actual highway mileage and range will probably be le than the highway estimate. Cadillacs are equipped with GM-built engines produced by various GM Divisions. See your Cadillac dealer for details.

WATCH "THE MASTERS" APRIL 14-15
A CADILLAC TRADITION.

Cadillac

Italian on the job
t deal of economic activity isn't in the official figures.

quiring goods in transit to have accompanying tax certificates. Truckers slipped through this net by immediately becoming "traveling peddlers," who don't need to document their wares.

"You can't pay 100% of your taxes and live," says the owner of one small textile company in Northern Italy. "That's well known, and the law allows for it."

Indeed, the 3,000 revenue officers who have to process 10 million income tax declarations annually get to read a lot of imaginative literature. Badly equipped and underpaid—a tax inspector gets less than $500 a month—they are clearly unable to nail more than a small percentage of violators. In addition, the series of tribunals that tries cases can take 20 years to jail an offender caught red-handed. Says a lawyer in Bologna: "Last year a bill to reform the procedure was suddenly dropped. Lobbies for business and the professions certainly had something to do with that." In a highly taxed, bureaucratized society it is in almost *everybody's* interest to break the rules. It is a game where the poorest laborer uses the same tactics as the richest capitalist.

Then there's the booming textile area of Prato near Florence, where one entrepreneur claims to have started his career by reprocessing Nazi SS uniforms for export to New York as gray flannel. Today, its businessmen are indignant over British and French complaints to the Commission of the European Communities charging them with unfair competition. But the indignation sounds hollow.

An unexpected feature of Italy's underground economy is that it prospers in the heart of the Red Belt—Emilia Romagna province, where Communists have been in power since 1945. Politicians there, where Via Carlo Marx is a popular street name, have a healthy pragmatism. "The enemy for them is not capitalism, but monopoly power," says economist Sebastiano Brusco. Says Gianni Menghetti, a Communist Party spokesman: "Recovery has come thanks to the underground economy. It would be a big mistake to make all these people start paying taxes. Reintegration has to be gradual."

Thus, the irony that is Italy. Beneath a public veneer of collectivism, there is a bubbling free-enterprise sector, probably as productive and healthy as its counterparts in right-wing havens like Hong Kong or Singapore. And far from labeling such latter-day cottage industry as a contemporary sweatshop, even Communist politicians acknowledge it as an engine of national economic recovery.

Think about it for a minute. In Britain and in Sweden enterprise and hard work are wilting under the efficient hand of powerful and respected governments and rigid trade unions. Whereas Italy's weak and inefficient government can't hold in check the natural enterprise and imagination of the Italian people. ■

Why should Leonard (Hartz Mountain) Stern be hungry for money when he's already worth hundreds of millions? If you ask that question, then you don't know Leonard Stern.

The public be damned? In 1979?

By Paul Blustein and Richard Greene

A GOOD MANY businessmen have signs on their walls—"A winner never quits and a quitter never wins"—or "The impossible takes a little longer"—corny maxims like that. Leonard Stern's office at Hartz Mountain Corp.'s headquarters in New Jersey has reportedly been graced with a sign that gets right to the heart of his philosophy: "Once you've got them by the balls, their hearts and minds will follow."

That's the kind of guy Leonard Stern is: blunt, profane, cynical. He is also one of the richest men in America. In 1973 *Fortune* magazine estimated Stern's personal worth at between $500 million and $700 million, putting him at the top of the magazine's list of "The New Rich of the Seventies."

The magazine's figure was kind of shaky. It was partly figured by multiplying Stern's holdings in the family's Hartz Mountain Corp. (makers of pet supplies like flea collars and birdseed) by the then highly inflated price of the stock, which was many times its book value. Never mind. Six years have passed and Stern now has more than a high price/earnings ratio going for him. It is probably safe to say that his ownership of Hartz Mountain and vast amounts of real estate are worth a quite solid $500 million.

That definitely puts him in the Rockefeller-Mellon-Getty-Ford category. Stern is only 41. His father was a penniless German immigrant. New rich though he may be, Leonard Stern can match millions with any of the old rich.

Hartz Mountain Corp., which he will probably soon again own lock, stock and barrel, netted $27 million on sales of only $221 million in 1977, the last year it reported to the public. Since the company has very little debt and its cash capital needs are slight, this gives Leonard Stern a huge cash flow to play with. This cash flow he has poured by the millions into well-placed real estate, much of it in the formerly desolate Meadowlands area of New Jersey, from whence the towers of Manhattan can be seen even on a smoggy day.

Leonard Stern is no playboy. Friends say he is a virtual workaholic. It would be pleasant to report that Stern got where he did by being smarter and harder-working than the next man. It's not quite that simple. There's at least as much Jimmy Hoffa in Leonard Stern as there is Horatio Alger. Nearly everything he does is surrounded by controversy and leaves behind a tangle of accusations and lawsuits. Great wealth hasn't mellowed him. It seems to have made him even more ruthless.

His latest maneuver, costing nearly $70 million in cold cash, was to buy out the public shareholders of Hartz Mountain Corp.—the pet supplies company—by merging it into Hartz Mountain Industries, his privately owned real estate concern. It was a clever financial coup: The $14 Stern proposed to pay for the public Hartz shares was well below the $22.75 he had originally offered them for in 1972. (Many people had paid much more because the stock sailed as high as $39.75 before collapsing in 1974.)

Outraged, a band of shareholders screamed foul, and their lawyers noted darkly that Hartz stock, after trading in the $10-to-$14 range for two-and-a-half years, dropped precipitously to $7.75 just before Stern announced his proposal to pay $14. The protests so far have been to no avail: A majority of the public shareholders, sheeplike, voted in favor of Stern's proposed merger at a special Hartz meeting last February.

Why did Stern take Hartz Mountain Corp. private? One reason, some observers say, is to avoid scrutiny by the Securities & Exchange Commission. A former Stern relative by marriage named Sheva Berman has gone to the SEC and other governmental agencies to report all sorts of stories—concerning use of prostitutes, bribery, blatant anticompetitive business practices, physical intimidation—that have been circulating about Stern. Some of the allegations, FORBES has learned from reliable sources and court records, are more than idle rumor.

Undaunted, Stern is plowing ahead with plans to build a giant, $100 million plus shopping mall in the New Jersey Meadowlands. This move, too, has generated vocal opposition from environmentalists, politicians and much of the local press, who say Stern's mall might destroy the area's orderly development. Nevertheless, Stern recently won some key victories with the Meadowlands planning authorities.

He won none for popularity, however. For while Leonard Stern appears to be moving boldly to expand and fortify his formidable holdings, he is a man under siege. He has infuriated an astonishingly broad array of people during his rise to great financial power. A number of these people are willing to forget about being stepped on. But many aren't. And they are fighting back.

Among Stern's rougher challengers is an antitrust suit by A.H. Robins Co., Inc., the drug company and makers of the Sergeant's line of pet supplies. Trade sources figure that damages could mount to upwards of $100 million.

Hartz, with a 75%-plus share of many of its market niches, is clearly vulnerable. Part of Hartz' success is attributable to its merchandising savvy, but part is attributable to less admirable skills. A year ago FORBES quoted a Hartz distributor as saying that he had personally written ten checks for thousands of dollars to retail chains, "just to keep competition out." Other distributors recounted stories of indirect threats by Hartz to ruin them financially if they carried competitive merchandise such as Sergeant's. Under the antitrust laws, activities such as these, if proved, are almost always illegal.

Hartz refused all requests to be interviewed for last year's story, and when FORBES contacted Stern's offices for this story, his representatives refused even to return phone messages—despite calls made daily for over two weeks.

It's hardly surprising that Stern does not want to discuss the evidence that has recently been marshaled against him in the Robins case. The testimony of former Hartz employees and other pet industry sources is not only damning to Hartz' case; it is often downright lurid.

One of the most sensational depositions is that of Daniel Cashill, a Hartz district manager in 1976-77. Cashill says that two weeks before he was scheduled to resume his testimony, his wife was in an auto accident near their Shorewood, Minn. home when a pickup truck crossed over the road and piled head-on into her car. "She said before the im-

ed, she gradually went to the left," ll said in his sworn statement, he vehicle [the pickup truck] was ke he was lining it up with her, like was a magnet on her car, she de- d it. She came back to the right. He back to the right, lined up with the nd hit her head-on."

days later, Cashill continued, he st returned home after visiting his n the hospital: "She had a fractured nd a bump on her head the size of st. At 5:35, the phone rang [at]. I answered the phone, and the at the other end of the phone said, s Dan Cashill?' And I said, yes, it And the party on the other end of none said, 'Are you still going to ?' And hung up."

evidence has been produced linking Mountain with Mrs. Cashill's acci- or the mysterious phone call. But s about strong-arm tactics have—ably or not—swirled around Hartz rs.

er interesting deposition testimo- ntains allegations that Hartz used cutes to entertain pet supplies buy- ashill's former boss at Hartz, Wil- Carr, recounted his dismay at the ce: "I'll work for Hartz Mountain days a week if I have to, but I'll be ed if I'll be a pimp for them," he e once told a colleague.

sworn statements refer to other f inducements as well. Cashill re- one meeting with buyers for Tar- tores, a large midwestern retail At the meeting was Walter Albu- ue, a Hartz vice president-sales. Albuquerque] was describing the hey [Hartz] had to do business ," Cashill testified. "He men- girls for the buyers and he men- fur coats for the wives and he oned new cars and he said, 'We're posed to doing whatever it takes the business.' "

Cashill and Carr merely disgrun- former employees whose word be questioned? Hartz lawyers attacked Cashill's credibility, ac- him of lying to Hartz about being rom previous jobs and of cheating expense reports. But a number of in Cashill's testimony have been orated by outsiders. Cashill's ac- of Albuquerque's veiled offer at the meeting, for example, was sup- by the sworn statement of a Tar- n present at the meeting, Michael v. Bursaw was apparently the man to tempt with such an offer. z salesman, Bursaw testified, once ched him at a cocktail party: "He d me a key to a room in the Chica- ton and said there were a couple of ladies in the room. 'Go and have a ime on Hartz Mountain.' I handed he key back. I said, 'I really don't o owe Hartz Mountain.' "

Condominium carport breaking apart

Leonard Stern's real estate empire—like his pet supplies company—has made him a bundle. But his New Jersey construction projects are beginning to reveal visible problems, as the pictures on this page show. Hartz Mountain stands accused, too, of using carrot-and-stick tactics in its pet business that may not sit well with the law. All, critics say, because of Stern's "battle-for-a-penny" philosophy.

Cracked parking area pavement

Pavement sinking away from wall

Rickety marina near condominium project

Are prostitutes and gifts just part of the selling game? Mike Bursaw, the Target buyer, testified that in his four years in the retail trade no other suppliers made the sorts of overtures that Hartz did. And a former Hartz employee, who had worked for years in sales for a large consumer-goods company, told FORBES he was shocked by what he found going on in Stern's company. "It was just totally against my morals and against the businessman that I am," he says.

Stern's company has also been accused of using "dirty tricks" to keep its hold on the pet supplies market—the kind of thing that might be expected of a small entrepreneur trying to get started, not a multi-multimillionaire.

Consider, for instance, the story of Jack Green and Ron Siden, two victims of an apparent "dirty trick." Green and Siden are partners in a Yonkers, N.Y. company called Petway, a company less than one-twentieth Hartz' size which markets a "companion line" of pet supplies (unadvertised, generally low-priced merchandise), and which has filed an antitrust suit against Hartz. Green told FORBES that he was calling on supermarkets in New Hampshire one day a couple of years ago. "At about 4 p.m. that day," Green recalls, "we stopped in Suncook, N.H. at a Bi-Wise supermarket, part of a small chain."

After stocking his rack and straightening it up, Green met Siden for dinner and the two men returned to the store later that evening. "The rack was stuffed with our merchandise; it was all over the floor," says Green incredulously. "There was around $900 worth of merchandise that we had never sold the store." Green summoned the store manager, who asked his stock boy how the mysterious merchandise could have arrived on the rack. "The boy said, 'I don't know, but a lady came in with two shopping bags a while ago, and she's gone now." Green and Siden had coded their merchandise, and they soon figured out that the surplus goods had originally been stocked in small independent grocery stores in New Jersey and Long Island.

Why on earth would someone want to buy Petway products from independent grocers and dump them in a supermarket several states away? "This Bi-Wise store was a new account for us at the time, and was part of a chain," explains Green. "Whoever did this dumping was trying to screw up our sales figures by making it appear that our products had suddenly stopped moving off the rack. They were trying to show that we were a flash in the pan—we'd get two or three weeks of good sales, then we'd die."

Green has no proof that Hartz was behind the dumping but, he wonders, "Who else would it be?"

Says a former close associate of Stern: "Leonard always wants to outsmart everybody. He'd battle for a penny. If someone said, 'You can afford it, Mr. Stern,' he'd be *furious*. That was the minute he would fight."

"Outsmarting everybody" doesn't just mean beating out the competition. Oh, no. Stern apparently likes to outsmart even those who are—or think they are—on his side.

John Jordan (not his real name) thought he was on Stern's side until, he says, "Stern beat me out of about $2 million." Here's what happened: Jordan's company had been one of Hartz' largest suppliers of cat litter, but in 1968 Jordan agreed to sell out to Stern for a down payment of $1 million in stock plus, at the end of five years, a payment of five times the average annual earnings of the cat litter company.

What Jordan didn't count on was the profits of the cat litter company shrinking from a half-million dollars to zero—thus depriving him of his future payment. Reason: Hartz gave away much of the cat litter, Jordan says, as "free goods" to induce retailers to stock other Hartz products. "There wasn't anything I could do," Jordan storms. "I just kept the million dollars I had. You don't get into a stinking match with a skunk."

Leonard Stern
As much Jimmy Hoffa as Horatio Alger.

Meanwhile, back to that lucrative real estate operation in New Jersey—where Stern's battle-for-a-penny mentality has apparently boomeranged.

The industrial park, office buildings, hotel and condominiums that Stern built in the first half of the 1970s near New York City all sit on top of land that, until recently, was considered by many to be a useless swamp. Stern deserves prai his vision in foreseeing the enor value of the area, but critics claim his buildings were built at the l possible cost and contain inherent s tural defects. If the critics are p even partially right, Stern could fa vere difficulties in getting approv his dream proposal to build a giant ping mall in the Meadowlands.

Already some corporate tenan Stern's warehouses have reportedly plained of construction problems, one tenant, Consumers Distributin (a former subsidiary of May Depart Stores Co.), last summer pulled out building after having filed suit ag Hartz Industries. According to Con ers' complaint, the floor of its ware started chipping, cracking and crum shortly after it moved in in 1973. company brought in an outside eng to test the building; in a 1974 repo engineer concluded that the buildin "design deficiencies," and "se shortcomings in construction" o warehouse floor. In one area tested report continued, the structural stee found to be "hopelessly misplaced, sulting in a system "on the ver structural failure."

Hartz' legal response: If the prob were serious enough to drive Consu out, Consumers would not have able to stay in the warehouse as long did. Says Arthur Rothman, a one consulting engineer for Hartz, a Consumers' and other buildings: seen better construction and I've somewhat worse. We promised a re able building at a minimum of cos weren't selling Cadillacs."

It seems the condominiums Hart up weren't Cadillacs either; some c owners are talking about suing. quality of the fixtures in their buil is terrible," says Michael Grecco, caucus, N.J. plumbing contractor has been called in by Hartz condo ow to perform repairs. "I don't know o cheaper. When you flush a toilet, hear it all over the house." Other o complaints: inadequate heating, poo sulation, a defective boardwalk cracking parking lots.

Obviously, one can't do things o scale that Leonard Stern hunger without making enemies and attra litigation. But Stern has done so mu both that his ruthless image is begin to interfere with his business p mance. What makes Leonard run?

"Leonard used to be driven to b youngest of the richest," says a one close associate. "He now wants to b richest of the richest. I don't think th anything he wouldn't do to get there

That kind of attitude wouldn't been out of place 50 years ago more—"the public be damned." It seem quite out of place in 1979. ■

Who would have thought you could insulate a vineyard against freezing by freezing it?

Grapes must be irrigated to flourish and mature. They must also be insulated against crop-killing frost. Johns-Manville does both with one system.

To protect grapes against a sudden fatal frost, as the temperature drops to freezing, growers turn on an irrigation system that insulates the vineyard. When water freezes it gives up energy. If a continuous spray of water covers the fragile grape buds, enough energy is released to protect the buds and keep them from dying on the vine. The water freezes instead of the grapes.

Johns-Manville supplies the irrigation system (the pipe, the sprinklers, the controls) to help assure a full, robust harvest of grapes and other essential crops. And the same irrigation system that fends off the frost supplies the moisture for growth.

In addition to irrigation systems, J-M is a worldwide supplier of fiber glass products, non-fiber glass insulations, roofing materials, industrial products, paper and forest products, and asbestos fiber and other basic non-metallic minerals. And each business segment is backed by a company with 121 years of proven experience.

To discover more about how this $2 billion company can put its problem-solving capabilities to work for you, write Johns-Manville Corporation, P.O. Box 5705-J, Denver, Colorado 80217.

JM

Johns-Manville

Ideas to build on.

The duplicators for those who appreciate the virtues of simplicity.

When you push a few buttons on a Xerox high-speed duplicator, a miracle occurs.

A multitude of complicated jobs are converted instantly into simple ones.

For example, you can get a Xerox duplicator that copies on both sides of a piece of paper, automatically.

That reduces, automatically. Collates, automatically.

Feeds and cycles up to 200 originals, automatically.

And even makes two-sided 8-1/2″ x 11″ copies from unburst computer printouts, automatically.

But of all the virtues of simplicity, the greatest is this:

It increaseth productivity.

Since Xerox duplicators are so easy to use, people can spend more time using them, and less time figuring out how. Anyone who can master the technology of pushing buttons can operate one of our duplicators.

So if you appreciate the virtues of simplicity, look into the virtues of a Xerox 9200 or 9400 duplicator.

We'll even arrange a simple demonstration at your convenience.

Just in case you don't accept miracles on faith alone.

XEROX

XEROX®, "9200" and "9400" are trademarks of XEROX CORPORATION

There's more than corporate ego at stake in General Motors' dete mined drive to catch up with Ford overseas.

GM gets ready for the world car

By Bob Tamarkin

FOR ALL ITS DOMINANCE of the U.S. auto market—a 46% share—giant General Motors Corp. is an also-ran in the rest of the world. Outside of North America last year, GM sold 1.8 million cars and trucks to 8.5% of the worldwide market, placing fourth behind Toyota, Nissan and Ford. Worse still, Ford—number two in the U.S.—has outsold GM abroad for 14 straight years.

So what? Who needs overseas when you sit inside the world's best auto market, when you are a self-financing titan that regularly earns between 15% and 20% on your stockholders' money? Why risk assets overseas? The answer: A fast-changing situation requires that GM drop its Fortress America mentality and become a world company in the sense that International Business Machines is. The old auto market called for one car in Europe, say, and another for the U.S. The new auto market, with its emphasis on fuel efficiency, calls for a car that combines European economy with American comfort and convenience. A world car, in short. To produce it, GM is turning itself into a world company.

On the wall in the walnut-paneled Detroit office of Howard H. Kehrl, executive vice president for GM's overseas group, hangs a huge world map that would have served Eisenhower for D day. The barrage of tiny red flags indicate where GM will be spending between $10 billion and $13 billion in the car wars of the Eighties. An engine plant in Australia, a battery plant in France, an assembly plant in Mexico, a radio components plant in Singapore. Some 20% to 25%—up from its historical 15%—of GM's annual total capital outlay will go to mobilize its global operations.

From such far-flung outposts GM hopes to put together the centerpiece of its strategy: a world car, blending U.S. and foreign design, that can be built, with few changes, for any market. Still on the drawing board in a shroud of hush-hush security tighter than that for the Manhattan Project, is the J-car, scheduled for production in 1981. A compact front-wheel-drive, four-cylinder hatchback sedan, the J-car will be powered by an overhead camshaft 1,600-to-2,000 cubic centimeter engine. Volkswagen, Honda, Fiat, look out!

The J-car will get about 30 miles to a gallon of gas. The engine—installed transversely to allow for more interior room—will be spunky. Sensitive steering will make for quick handling like foreign imports. The J-car will replace Chevette, the forerunner of GM's world car. First produced in Brazil in 1972, the Chevette is now assembled in five foreign countries under the Gemini and Kadett names. In 1975 GM brought it to the U.S. Chevette has been a tough competitor against today's generation of world class cars—Ford's Fiesta, Chrysler's Omni-Horizon, VW's Rabbit, Toyota's Corolla, Fiat's Ritmo. Having sold 494,000 Chevettes overseas last year and 247,000 in the U.S., GM is confident it can market a single world car design.

GM plans spending $240 million to build a plant in Australia to produce J-car engines. About two-thirds of the engines will be shipped to Europe and Southeast Asian markets. Three more plants around the world also will make engines for the J-car, which will be sold in the U.S., Canada, Europe, Africa and Asia.

Here too is an aspect of GM's new strategy. Under Australian law, cars sold in that auto market were to be substantially built from Australian components. GM is asking the Australian government, in return for the jobs and the foreign exchange earnings the engine plant will produce, to waive its 85%-made-in-Australia rule. In exchange for exporting engines, GM has won the right to bring in other components from abroad, so that it will be selling in Australia, not an Australian car, but a world car with an Australian engine. Thus does GM hope to breach the economic nationalism has fragmented the world auto mark

Of course, more than business judgm lures GM to distant shores. Corpo pride is at stake, too. To think of itse second to anybody makes GM uncom able. "I'd like to see us be number outside North America," says Chair Thomas Aquinas Murphy from behi desk flanked by piles of folders. Now, four years at GM's helm, the confi Murphy may be the first GM chair determined to make that happen.

Tall and solemn, Murphy, 63, is a soned strategist with a knack for mal GM move. He proved it when GM g bled—and won—at downsizing its cars. "I think we surprised a lot of ple," says Murphy, who rallied G market share from a 20-year low.

Now GM is rallying again, mob ing for a full-scale offensive o seas. Over the past year, shuffled its manpower, integrating foreign and domestic staffs. Everyt was coordinated from marketing to chasing. The heads of its foreign o ations were promoted to vice presid and Kehrl—the heir apparent to P dent Elliot M. (Pete) Estes—repla Reuben Jensen as head of GM Over Operations. The New York-based o seas division was brought to Detroi culture shock for many of the 500 tr planted GM-ers. As names on organ tion charts became live bodies cramped corporate corridors, a pater istic GM even offered free driving sons to native New Yorkers used to ing only subways and buses.

Meanwhile, it launched its first NA style "project center" in Warren, M to coordinate future world-car desi among its five U.S. car divisions and overseas subsidiaries in England, G many, Brazil and Australia.

GM starts from a position far beh Ford overseas. Estes is blunt about "Our first objective [overseas] is to m ahead of our chief domestic competit

t only did Ford beat GM overseas as ards time, Ford also was way ahead of I in internationalizing its overseas op- tions. GM was still Vauxhall in Brit- , Opel in Germany, Holden in Austra- when Ford was producing cars for all se markets, built from interchange- e parts.

Our reputation in the U.S. doesn't e us very far, even in Europe," la- nts one GM executive. "You have to ve you're going to be part of the coun- and will contribute." Unlike Ford, ich has carried its name on every car l overseas for 75 years, GM has little nd recognition abroad. Concedes rphy, "I have to say in all candor, we en't been as good in those areas as competition. . . . I guess Ford has n doing a better job of satisfying cus- ners in overseas markets."

mall wonder GM is practicing shuttle lomacy. Like roving ambassadors, rphy and Estes are flying around the rld more these days, spreading GM's ne and goodwill—cutting ribbons at v plant starts in Mexico, talking to Chinese technocrats in Peking, looking in on operations everywhere.

GM is hardly starting from scratch overseas. It has almost 200,000 workers and 5,000 dealers outside the U.S. Its international sales last year were close to $11 billion, its international net after taxes just under $300 million. But Ford netted almost twice as much overseas on sales only about 35% greater than GM's—a double embarrassment for GM. Despite last summer's nine-week strike in Great Britain, which cost Ford $195 million, or $1.63 a share, its overseas earnings were still up 9.2%, while its North American profits slipped 15%. Ford's overseas net supplies much of the $2 billion for its domestic capital spending *(see chart below)*.

Everywhere GM turns overseas it runs into Ford. In market share, the two are running neck-and-neck in Asia-Pacific, Africa and the Middle East. But Latin America is Ford Country. Ford's outselling GM 3-to-1 in Argentina's small-volume market forced GM to end its auto operations there last summer after 50 years. Ford leads the market in Venezuela, after recently expanding its plant.

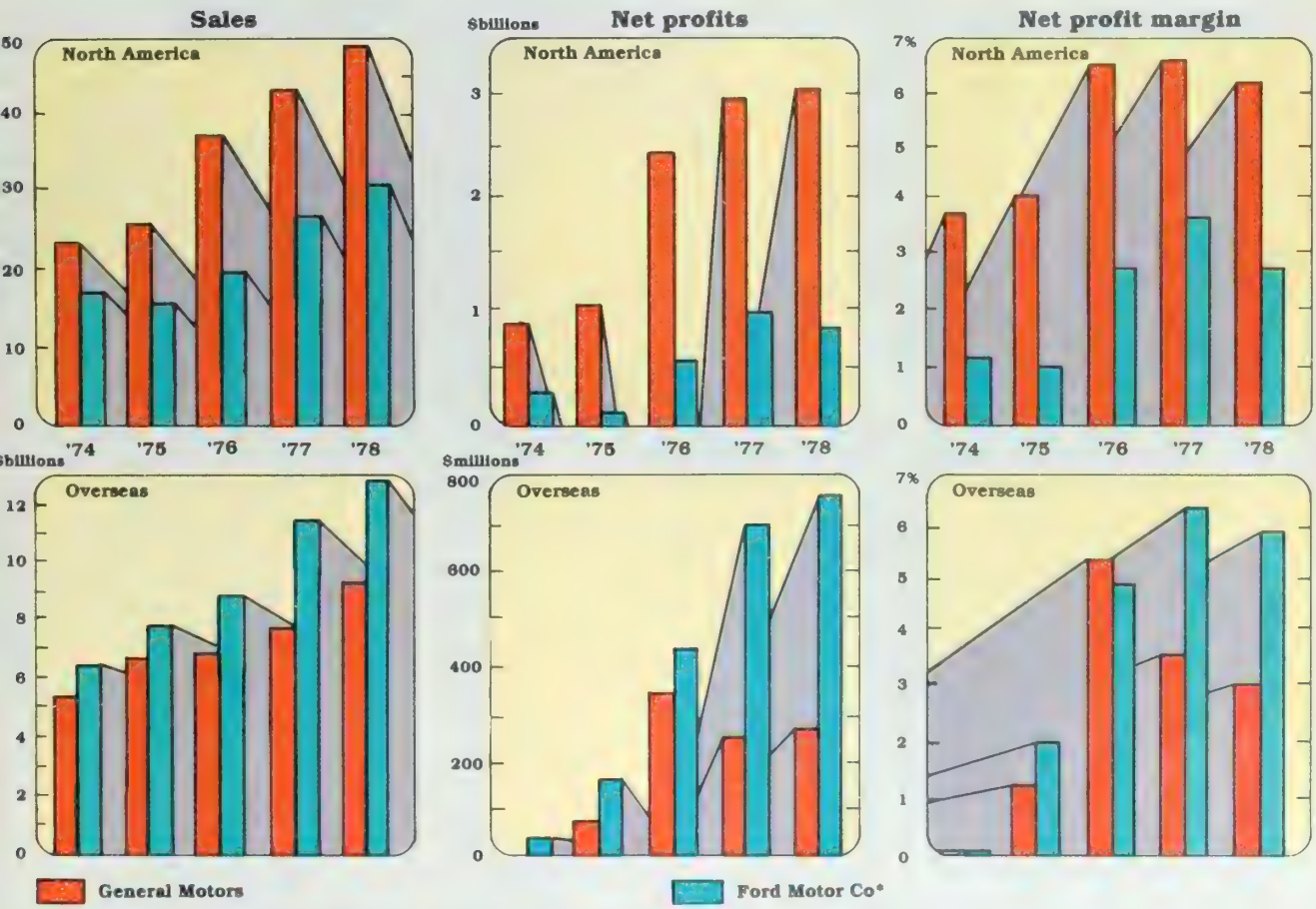
However, GM is beginning to close the gap. It expects to double its output in Venezuela with Chrysler's recently acquired facilities. GM also bought Chrysler's Colombia plant, giving it access to that market for the first time. In Brazil, GM sells about 180,000 vehicles compared with Ford's 159,000. Yet both are far behind Volkswagen's 370,000 units, or 51% of Latin America's largest market.

In Mexico, where Ford (with 70,000 units) is leading, GM is determined to catch up with a $350 million investment that will double GM's capacity to 100,000 units by mid-1982. The expenditure is one of the largest at one spot in GM history, says Estes (Ford nervously calls it a "very aggressive move"). VW dominates the 205,000-unit Mexican market with 28.5%.

Another element in the GM strategy: Get into the promising markets fast and in any manner—expansion, acquisition, joint venture. GM already has joint ven-

Two different worlds

For both General Motors and Ford, doing business in the U.S. and abroad has been a consistent study in contrasts. In the U.S. GM's profitability has been double that of Ford. Abroad, Ford's profitability has been double that of GM.



* Ford figures include income from the following nonautomotive operations: Basic Products Operations, Electrical, Electronics and Climate Control Operations, Ford Tractor, Ford Aerospace & Communications, Ford Motor Land Development and Ford Motor Credit—about 7% of total 1978 sales.

tures in Japan, Kenya, Korea, Iran and Yugoslavia. And it's looking for others. Historically, GM bought its way into foreign markets by acquiring Vauxhall (1925), Opel (1929) and Holden (1931). Today these lines are its strength.

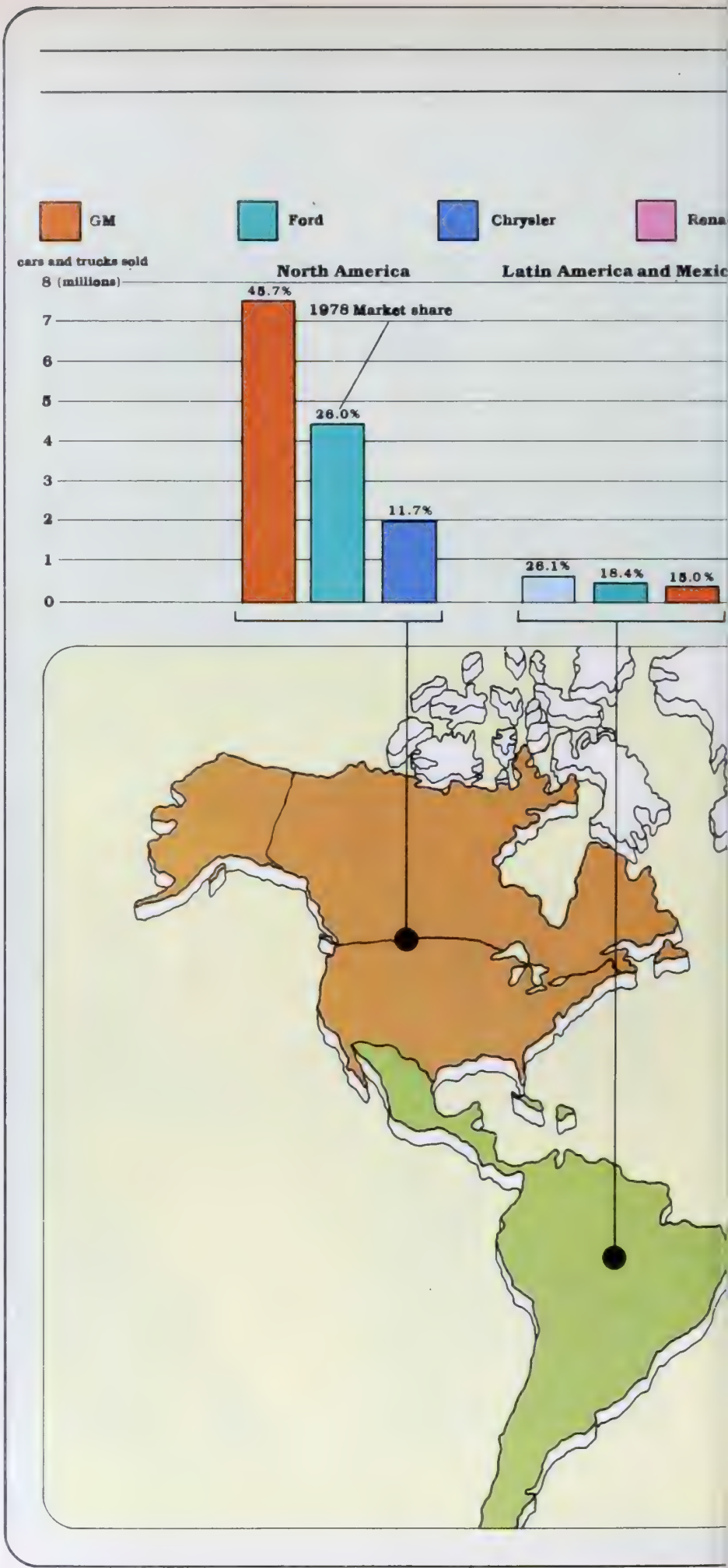
The prime European market is GM's biggest problem. There Ford is substantially ahead, outselling GM by some 200,000 cars a year. "When I lived in London," smiles Gordon MacKenzie, former sales vice president of Ford's European operations, "I woke up every morning certain of two things: That day it would rain. And we'd beat GM."

Ford began digging in back in 1967 when it reorganized its 15 European companies into Ford of Europe. It moved fast to take advantage of the European Common Market (FORBES, *July 1, 1972*) as it streamlined operations, cut duplicate product lines, combined dealerships and expanded parts-sourcing across borders. (Its Fiesta, for example, is assembled in Spain with parts from England and Germany.) In 1976 it opened a $1 billion assembly plant in Valencia, Spain, increasing its European output by over 200,000 units—its lead over GM today.

GM has been slow to integrate components, and its car lines compete as vigorously with each other in Europe as in the U.S. Short of production facilities, it is scouting France, Spain and Austria for a new plant site. After 68 years, GM has yet to set up a sales office in Spain.

In Europe GM sells 1.1 million cars and trucks, ranking it fifth with about 10% of the market. After buying Chrysler's European operations late last year, Peugeot-Citroën is now first with 17.3%. It is followed by Renault (12.8%), Ford (12.2%) and Volkswagen (11.4%). The Japanese (Toyota, Nissan) combined have 6.5% but are solely importers.

In such a fragmented business, market shares are unlikely to change abruptly. But GM has a card up its strategic sleeve that could alter the numbers—the X-car. Designed with export sales in mind, the X-car debuts next month. Sporty, front-wheel-drive sedans that will replace the Chevrolet Nova, Pontiac Phoenix, Oldsmobile Omega and Buick Skylark, X-cars are gas stingier, 800 pounds lighter and 20 inches shorter than the above GM compacts, yet have the same interior space. Next year GM wants to export 80,000 of them to the European market. The exchange rates willing, GM intends to export 100,000 cars, including X-cars, to Europe in 1980, five times the figure for 1978. (U.S. automakers now export 425,000 cars worldwide annually, including complete knockdown kits assembled in the importing countries.) Hoping to stimulate overseas interest in its first full line of small cars since the Fifties, GM quietly invited 300 of its European and Japanese dealers to Detroit last summer to preview the X-car, dubbed by GM



Congestion ahead?

all its dominance of the U.S. market, General Mo- is nothing special overseas. Some able, well-heeled petitors—not least of them Ford Motor—are well entrenched and not about to give way gracefully before the allout effort GM is making to expand its market share abroad.

insiders "the import fighter."

In its assault on the overseas markets, GM will be going up against more than Ford. The Europeans, too, are beginning to recognize the importance of achieving the economies of scale and hurdling national boundaries.

France's Peugeot-Citroën took the merger and acquisition route by buying Chrysler's British operations. Others favor joint ventures to get economies of scale. Fiat, Renault and Alfa Romeo, for example, own a diesel engine plant in Italy. Next year Fiat and Peugeot jointly will be making a light-duty truck.

Such ventures hardly worry GM so much as the closer encounters of the political kind. Already Volkswagen, Renault, Volvo, British Leyland and Alfa Romeo are either partially or wholly owned by governments. If governments decide to run these labor-intensive companies at huge losses in order to save jobs, it would be difficult for GM or Ford to compete. "Whether that potential will be realized in the marketplace remains to be seen," says John McCormack, head of GM's European operations, "but it's kind of scary."

GM pride—as well as tactical logic—demands that GM tackle the tough Japanese market. Meeting the Japanese government's fussy safety and environmental standards results in a $6,400 Camaro carrying a $15,400 price tag in a Tokyo showroom. But GM won't give up. Next month it will market the Chevette through its 34%-owned Isuzu Motors Ltd. Japan dropped all import duties on foreign cars last year under pressure to open its markets, but so far imports are running less than 1% of sales.

In China, GM sees few prospects for cars, but big possibilities for its locomotives and diesel engines, trucks and earthmoving equipment. Here GM is being commendably flexible. It has told the Chinese it is prepared to barter its products for raw materials—as it already does with South Africa.

GM's decision to expand overseas has little to do with a slowing domestic market, insists Murphy. With 120 million cars on the roads today, the annual replacement rate would be 12 million. A growth rate of 2% to 3% on top of that, says the ever-optimistic Murphy, and "you're going to have an attractive opportunity here." It was Japan's mature market, among other factors, that drove its automakers abroad in the 1960s.

The simple fact is that the international and domestic markets are no longer separate, discrete entities; they are fast merging. In a sense, GM is going overseas to protect its American market. To create the cars of the Eighties, it needs the volume that the world market can supply; an economical world car, salable here, will help keep down GM's overall fleet fuel average and enable it to sell additional bigger cars, where the big profits are.

Ford has had its hands full at home trying to meet the government's corporate average fuel economy (CAFE) requirements. "We are at 19 miles per gallon by our fingernails," says MacKenzie. In the past three years Ford has had to slash its overseas expenditures because of the pressures at home to build smaller, lighter cars.

On the other hand, GM is meeting the corporate fuel economy requirements with little trouble and, with its new X-car, should have few worries meeting them next year as well.

As a consequence of all this progress General Motors is likely to be less generous with its shareholders than in the recent past, when the giant automaker often seemed to be making so much money it didn't know what to do with it. In the five years immediately preceding 1978, GM paid out in dividends 62 cents on every dollar it earned; even with this generosity, it financed its capital spending mainly out of cash flow. In 1975, GM borrowed $600 million. In reducing the year-end extra last year in the face of slightly higher earnings, GM management was signaling to its stockholders that they could expect somewhat less generous dividends for a while at least. To build whole new lines of cars while expanding overseas is going to put a strain even on GM's resources. Last year's payout was a subpar 49% of the year's earnings. What will happen this year is by no means predictable since there could be an auto strike this summer. But even without a strike GM will have to husband its cash for a while if it is to retain its virtually debt-free stance.

It is possible that GM's new global strategy could fail. Economic nationalism is a formidable hurdle, and Ford—to say nothing of Volkswagen, Peugeot and the Japanese—is a tough competitor. Still, the strategy looks and feels right. "It's a tough market in general," says Donald Petersen, executive vice president of Ford International Operations. GM will make it a little bit tougher."

Once again General Motors is proving, despite its huge size and despite the near-maturity of the automobile market, that it is a fine industrial machine, capable of reacting, if not with speed, certainly with efficiency, to drastically changing circumstances. Those trustbusters who still dream of dismembering GM would do well to remember that the Chevrolet division's Chevette, now the best-selling subcompact in the U.S., has been a major weapon, not only in checking import inroads, but in enabling GM's other divisions to keep producing and selling bigger cars—thus helping preserve the consumer's freedom of choice and tens of thousands of jobs. GM is no longer—if it ever was—a loose collection of companies, but an integrated whole well on its way to becoming a global whole. ■

Chevrolet General Manager Robert Lund

Chevrolet's world car

At General Motors' Lakewood, G plant, where assembly-line work once built the heavy Pontiac Gra Prix, the retooled operation n churns out the popular little Chevro Chevette at a rate of 45 an hour.

The Chevette is GM's first ma response to the changes the ene crisis wrought in the auto mark Carrying a price tag of $3,644, t Chevette is a good 10% cheaper th Toyota's and Datsun's comparable hicles. If it meets GM's goal of selli 340,000 units in the U.S. this year will equal the volume of Datsun's a Toyota's best-sellers combined. A though Chevette sales lagged behi predictions in the first quarter of t 1979 model year, you can bet that G will be pushing sales from here o Every 29-mile-per-gallon Cheve sold lowers GM's fleet average co sumption and enables GM to bu more bigger, more profitable cars.

Robert Lund, the able, 59-year-o general manager of the Chevrolet vision, says the company has no i mediate plans for raising Cheve prices—thus serving notice to J German and Japanese competito that no longer would Detroit let the have the small-car market by defau

The Chevette is a kind of world c *(see story)*, produced originally for t Latin American and European m kets before coming stateside in 197 The first generation of GM's subco pacts, it shows promise—a pote symbol of GM's aggressive new co porate strategy. **—Marcia R. Ber**

r own fears and guilt feelings do more to o OPEC intact than the realities of eco- nics, says this maverick oil expert.

Is OPEC a paper tiger?

SK ARNOLD SAFER, the outspoken and scrappy oil economist at New York's Irving Trust Co., what troubles and the current oil short- ply for the world's economy and ply snappishly, "The shortage is a on of price, not physical supply. has enough capacity to supply the s needs, even without any Iranian capacity. Oil is around. The trou- hey want $21 a barrel."

ble enough, but in one sense Safer ptimist. One of the great doubters the world's oil economists, Safer rnly denies that any physical ge of oil is shaping up for the fore- future. "Projected world oil ges are analogous to a receding ho- he says. "No matter how rapidly ove toward it, it's still the same e away."

oes on: "In the early Sixties, the mmunist world had a 33- to 35- pply of oil available to it at current tion levels. And it hasn't changed since then, though production's p. By 1980 it'll be over 35 years, 36, 37, because consumption is g, and maybe if reserves in the Sea and Mexico prove up, even to 40." Beyond that, big wildcat ons in Canada's Beaufort Sea, off- Vietnam and China could change ole picture.

doesn't dispute the existence of a squeeze since Iranian production d out last December. But he see any reason to panic. In the uarter, he says, consumption is lly the highest it gets all year. In cond quarter it normally drops . Inventories are large enough to re of the temporary shortfall, and ortages are likely to result from industry's determination to hus- hese inventories against difficul- rebuilding them next fall. There ely to be *some* shortages this sum- ut nothing on the order of 1973-74. at that, Safer insists there's still enough capacity around to meet the demand—in places like Saudi Arabia, Abu Dhabi, Kuwait and Iraq—if the producers could be persuaded to produce it. What's holding them back is the matter of price. The question, of course, is just how high prices will have to go in order to call this capacity into production. Ironically, if Iran should succeed in getting back into

Irving Trust's Arnold Safer
Is OPEC headed for a crash?

full production, the surpluses that beset the industry last year might reappear.

So what worries Safer is the price the world's economy will have to pay for its energy consumption. Safer conservatively figures that prices will hit $16.20 by year-end, up $3.50 in a year, nearly twice the increase OPEC scheduled last December. Says Safer: "With OPEC production at 10 billion barrels a year, every buck a barrel is $10 billion drained from the world's purchasing power—a prospective $35 billion." As this purchasing power drains off, the recession Safer and the Irving Trust forecast for early 1980 could conceivably develop earlier. Safer fears the result will be mandatory wage and price controls for the U.S.—not to get the country through the shortage, but through the 1980 elections.

Safer continues to believe that OPEC bears within it the seeds of its own destruction. Because OPEC faces the monopolist's death sentence: The higher oil prices go, the less oil people use, and the easier it is to develop competitive supplies. And that's exactly what's happening. Safer points out that between 1963 and 1973, noncommunist world oil consumption rose by 26 million barrels a day, 20 million of which were provided by OPEC. But since 1973 consumption has risen a mere 1.5 million barrels. Non-OPEC production has risen 3.6 million barrels, while OPEC production has declined by 2 million barrels a day. Safer expects OPEC production to decline another 2 million barrels a day by 1983. So far the Arabs, floating in a sea of money they are hard pressed to spend or invest, have been able to withstand the decline. But how much further can they afford to cut back? "Eventually," Safer says, "OPEC'll crash. How far will prices have to go for that to happen? I don't know."

Safer believes the Iranian crisis is introducing strains within OPEC. OPEC was never any more than a price-fixing mechanism—it was never able to control production—but now the cartel's price solidarity seems to be breaking up. Many producers have been adding special surcharges to the official OPEC price. Iran is now attempting to auction its oil off to the highest bidder—and the last thing a monopoly can endure for long is an auction market. "The whole OPEC discipline will break down eventually," Safer argues. "Companies will bargain for leverage."

Meanwhile, the problem remains, and part of the U.S.' inability to cope with the problem, Safer says, is its misconception of just what the problem is. The U.S. may be running out of oil, but the world is not. "All the proposals are premised on an eventual running out of oil—that's 100% wrong." And from a bargaining point of view, it's bad psychology; it weakens the buyer's resolve and strengthens the seller's. "By crying world shortage," he says, "we've paralyzed the apparatus in Washington."

Letting economic forces take their course is hardly painless: Keep paying higher prices, until so much new oil and alternative energy comes forth that OPEC cracks. Meanwhile, Safer says, let's not be paralyzed by the myth that we are sinfully consuming more oil than the world can produce. ■

A turnaround at Fairchild Camera? Haven't you heard that one before? But this time it may be for real.

At long last

By Kathleen K. Wiegner

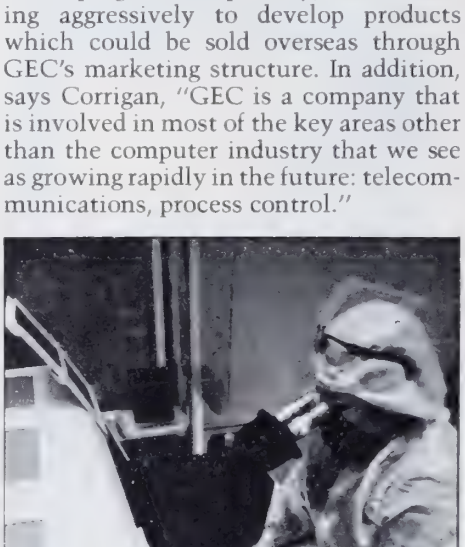
A YEAR AGO the kindest word to describe Fairchild Camera & Instrument Corp. would have been "troubled." More bluntly, it was a mess. The company was getting clobbered in its digital watch division to the tune of a $24.5 million pretax loss. Its basic semiconductor business was based on an older technology that was being upstaged. On sales of $460 million Fairchild only earned $11 million, a far cry from the $27 million it earned in 1974 on sales of $385 million. At 2.4% its net margins were among the industry's lowest. Appropriately, its stock, once a high flyer, sold at 25, or 27% below book value.

But times have changed. For 1978, Fairchild reported record sales of $533 million, but more important, net more than doubled to $24.7 million. Profit margins were up to 4.6% and backlog rose 55%. Fairchild's 1978 net would have been even higher but for its fourth quarter decision to bite the bullet and get out of digital watches. That decision ended a big drain on profitability but cost it almost $6 million pretax.

So why is the stock still in the doldrums? Primarily because Fairchild followers have been burned before. Fairchild had what looked like a turnaround back in 1973-74 but never quite recovered from the 1975 recession in semiconductor sales, largely because of its watch problems. Fairchild Chairman and President Wilfred Corrigan is all optimism: "We have now gotten rid of a bunch of subcritical businesses and are going to refocus on the high technology areas." But Corrigan has made such promises ever since he became president in 1974.

The skepticism is thus understandable. But it may overlook some strategic moves that make Fairchild's future look better than the experts think.

To underline his commitment to high technology, last fall Corrigan hooked up with Britain's General Electric Co. (GEC) in a joint venture aimed at establishing one of the largest and most advanced integrated circuit plants in Europe. The U.K. plant will duplicate Fairchild's new $50 million plant in San Jose, Calif., dedicated to manufacturing metal-oxide-silicon (MOS) semiconductors, those cheap, high-density circuits for which markets have been growing more rapidly than for the more expensive, high-speed bipolar circuits where Fairchild is the leader. Fairchild was late in developing MOS capability, but is moving aggressively to develop products which could be sold overseas through GEC's marketing structure. In addition, says Corrigan, "GEC is a company that is involved in most of the key areas other than the computer industry that we see as growing rapidly in the future: telecommunications, process control."



Fairchild wafer fabrication at San Jose plant
Focusing on the state of the art.

As the third largest semicond maker, after Texas Instruments and torola, Fairchild would like to move manufacturing whole systems as and Texas Instruments have done just the components used by the temsmakers. As technology advanc that more and more capability ca put on a single silicon chip, compon have become, by their very nature, and more complete systems. These tems attack the hardware end o computer manufacturers because can replace critical sections of ind ual computers. Microprocessors, fo ample, are really computers on a s chip of silicon because they have memory and logic. The linkup GEC, which manufactures elect systems, will aid Fairchild in ma this systems jump.

Like competitor National Sem ductor, Fairchild is also trying to the computer mainframe bus through its recent purchase of 35 California's closely held Magnuson tems, which makes computers com ble with IBM's 370 and 3031 system

Besides the computer market, child looks for growth in the auto in try, where last year it sold about million in components to the aut dustry. In June Corrigan made a with Robert Bosch, GmbH, the German auto parts manufacturer Fairchild to provide Bosch with k how in manufacturing electronic tion modules in exchange for supp Bosch with components and subas blies. "The Bosch arrangement is a tern of how you are going to have business in Europe in the future," Corrigan, aware of the growing str of economic nationalism.

One continuing bright spot for child is its computer test systems w test microprocessor and memory cir in other computers. In testing equip for microprocessors Fairchild is the ing manufacturer; in memory tester second only to Teradyne. In 1978, ings from these products adva sharply, accounting for an estim 25% of net.

But problems remain. Corrigan to move quickly in the MOS produc where technology is now moving to circuits that combine the advantag MOS with the high speeds of Fairc bipolar circuits. Magnuson, like makers of IBM-compatible comp will be directly hit by IBM's newly duced 4331 and 4341 mainframes volume production is reached. And ty income from some of Fairchild's nal patents begins running out next

If Corrigan can handle these lems—and the evidence is that he there is every reason to expect that child's turnaround this time won't ephemeral as those of the recent pa

HEN I TELL YOU EST VIRGINIA A GOOD VESTMENT OU CAN BANK IT."

John D. Rockefeller IV, Governor, West Virginia

e right company, West Virginia pe the best investment in the n.

fter all, you make your decisions from a nce sheet. We have one on the advan- s of locating in West Virginia. We'd be to share it with you. For instance, look ergy in West Virginia: 20 percent of the reserves in the country and proven oil ves of more than 32 million barrels. Trans- tion: 355 miles of navigable rivers and 73 ent completed interstate highway system. there are quality of life considerations. Amer- discovering the beauty of mountain living. Our le have lived it for 200 years. There are dozens asons why the right company would prosper in Virginia. To get them, send in our coupon. This be one of the most important decisions you make.

☐ Yes, I'd like to see a summary of the facts. I 0849

☐ I would like details on advantages for my company in West Virginia

☐ Have one of your professionals call me at_____.

Name _____ Title_____

Address _____

Company_____

City_____ State_____ Zip_____

State of West Virginia

Governor's Office,
Charleston, WV 25305

Finally, solar energ
instead c

City Investing's Rheem and Ruud Divisions, world's largest producer of water heaters, want homeowners to be informed about solar water heating system

Heat from the sun is free. But the equipment you need isn't. A lot of people are still in the dark about what's practical and what isn't.

We hope to shed some light on a subject too little understood.

Can I heat my whole house from the sun?

Solar energy for whole-house heating is still in its infancy. Systems are available but they require a big investment. The equipment needed for widespread practical use is still a few years down the road.

We're making progress here. But the immediate future is concerned with *water* heating

Why should I be interested in heating just the water in my house?

In most parts of the country, fuel bills are heading in only one direction. Up.

Solar water heating systems can be a practical way for many homeowners to save on both fuel and fuel costs.

What's more, these systems are available *now*.

What hardware do I need?

Solar collectors (skylight-like panels mounted on your roof or on a small platform beside the house to absorb the sun's rays.

At the proper angle, panels can even go on the side of the house, or on an outbuilding.

The most important thing to remember is this. Wherever you decide to put them, be certain that the panels face due south. You also need a storage tank. Interconnecting pipe. And in most cases, an auxiliary heater.

generating heat
nfusion.

How do most solar water heaters work?

Solar water heating is incredibly simple. In direct-type systems, water is pumped from the storage tank through the collector panels (where it absorbs heat from the sun's rays) and back to the tank again, ready for you to use.

Other systems use a separate fluid to collect the heat. This circulates through the pipes and collector panels, eventually transferring its heat indirectly to the water in a storage tank.

Both systems are efficient.

Can I really save money with a solar water heater?

Yes. But even if you couldn't, solar heat makes all kinds of ecological sense.

Happily, it also makes economic sense. A good solar water heater costs about $1,800 plus installation, fits into your existing system, and provides 50%-80% of the hot water needs of an average family.

Why is City Investing telling you all this?

For years, Rheem *Solaraide* and Ruud *Solar Servant* storage tanks have been essential components in other solar heating systems.

Behind both Rheem and Ruud is City Investing. So we have a big stake in solar heating, and we're continually expanding it.

Last year, we introduced *Sun Set*, the first complete solar water heating system of our own.

This year, we're expanding our product lineup with a new, direct solar system designed for special climates.

Our new *SunDirector.*

The *SunDirector* incorporates important features seldom seen in a single system.

It has high-performance copper panels designed to absorb and transfer maximum energy from the sun.

After each cycle, water automatically drains from the panels and returns to your tank. So the panels won't freeze up in cold weather.

A unique control mechanism tells the system when there's enough solar energy outside. So water circulates only when heat can be added. And you save dollars.

The point is this. City Investing, through our Rheem and Ruud Divisions, is already the world's largest producer of conventional water heating systems. We intend to be leaders in the solar field, too. And results of our work, particularly over the last two years, prove that we're on the way.

Meeting basic needs is basic to our thinking. And the same kind of thinking guides the profitable growth of all City Investing operations.

Our companies profit from good ideas.

In housing, we plan and develop entire communities. We're a major builder of single-family houses and mobile homes.

In manufacturing, the talents that have made us world leaders in the production of steel shipping containers and water heaters also enabled us to introduce the *Sun Set* and *SunDirector.*

In insurance, we're a major property and casualty underwriter, specializing in policies tailored to business needs.

To learn more about us, just clip the coupon.

John Herndon, Vice President,
City Investing Company, Dept. U,
767 Fifth Avenue, New York, New York 10022.

Dear Mr. Herndon:
Please send me more information on:

- ☐ The *SunDirector* solar water heater
- ☐ The *Sun Set* solar water heater
- ☐ City Investing Company

Name_____

Address_____

City_____

State_____ Zip_____

Telephone_____

FO 4-2

City Investing

Here's a stock that sells for one times its cash, or—looked at another way—two-and-a-half times operating earnings. What's the hitch?

The stock nobody loves

The Streetwalker

BLASÉ, ARE YOU, about bargains? Most of us are these days in a stock market where good companies routinely sell for five times earnings and yield 6%, 7% or even more. But here's one that still should make you sit up and take notice.

This stock has behind it $19 a share in cash and earned an estimated $3.40 in the fiscal year ending Mar. 31. It recently sold for $20 a share—about one times cash, six times earnings and yielded 5% on its conservative $1 dividend.

Must be a lousy company, you say, in a dying business. Not so. It is deep into offshore oil production and into energy conversion—both growth businesses. Its earnings are *not* about to collapse: They should hold about even in the new fiscal year, down at most by 10%.

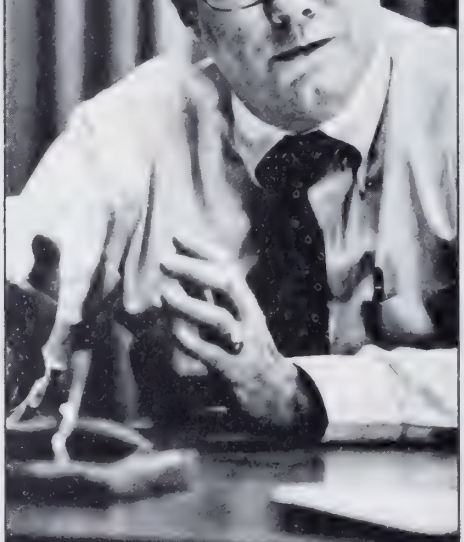
Its name? J. Ray McDermott & Co. Actually, it's two companies. In 1977 McDermott, New Orleans-based marine construction company acquired New York's Babcock & Wilcox, thus adding steam boilers and generating equipment to its own offshore production platforms. The combined company will have revenues of $3 billion this year and net profit of well over $100 million. Both outfits are highly regarded for their engineering. And all that cash just sits there waiting to be put to more productive use than in money market instruments.

So, why has this stock got leprosy in investors' eyes? To find out, The Streetwalker queried the analysts.

One thing that made them all bearish was the earnings trend: flat or down a bit this year. The estimates ranged from $3.40 a share (James T. Rice of New Orleans' Howard Weil, Labouisse & Friedrichs) down to $3 (Peter Vig of Montgomery Securities).

There were some other problems, too.

George Gaspar, who does the Gaspar Report on the oil service industry for



J. Ray McDermott CEO James E. Cunningham
Suddenly boss of two companies in one.

Milwaukee's Robert W. Baird & Co., points out, as do others, that McDermott's cash hoard is not unfettered. It is the result of fat foreign earnings in the mid-1970s aftermath of the Arab oil embargo, when companies and nations intensified the search for oil. McDermott chose not to defer U.S. taxes on those foreign earnings so the money either stays permanently abroad or pays a penalty of 25% or more upon repatriation.

Want more bad news? The company pleaded guilty in February 1978 to illegal payments and fraud, pleaded no contest in December to federal charges of bidrigging and fraud. Four of its officers face trial in June on the latter charges, and an Internal Revenue Service investigation of the company and its officers contin over the payments case. All this does company's reputation little good, n mention its stock market image.

Peter Vig, the offshore industry ana for Montgomery Securities of San F cisco and Dallas, believes that for competition—Japanese, for example going to make a growing impact on marine construction business domin by McDermott and Halliburton's Br & Root division, which now share s 60% of the $3.7 billion market.

If none of this sounds devastating, enough to account for the low stock p in a market like this, where every fears the worst. But what does the c pany have to say about the prospe We talked with James E. Cunningh the newly appointed chief executiv McDermott. He dismissed fear of for competition. "We're the lowest-cost ducer," says Cunningham, a 55-year chemical engineer who took ove CEO from ailing Charles Graves in ruary. He has a point. McDermott been in the oilfield business since and pioneered construction in the Gu Mexico. It has worked to keep i ahead with new equipment and meth in the big-ticket offshore production pipeline businesses. It has the pe with the knowhow, the mostly Lo ana and Texas Gulf Coast work f that has helped make offshore o uniquely U.S. business worldwide.

If the competitive realities seem threatening than the low market p would suggest, what is the chance c acquisitor moving in on McDerm with a tender to take advantage of Street's coolness toward the stock? great. McDermott is a company likes its independence. It walked a from merger with Schlumberger in 1 fought hard and overpaid for Babcoc Wilcox in 1977 as much for take insurance as for diversification.

If an unfriendly buyout should a it's a good bet that McDermott w run for cover to a merger with Da Dresser Industries. There's a year-an half-old rumor linking the two, insp partly by oil-patch friendship of the ple running the two companies and p ly by the fit—so like Halliburton Brown & Root. "It would be a comb tion of talents," says McDermott's Cunningham in a very friendly t "But we're both of such a size tha would be difficult to do."

So, as Cunningham suggests, ma the biggest defense against a takeov the big bite involved. Assuming would have to pay a premium of at l 75% over market value to land a c pany like this, you are talking abo tender offer worth $1.3 billion inclu the big issue of convertible preferred resulted from the B&W takeover. Ev you could bring home a good piece o

Hart Schaffner & Success

Viracle® Suit. Dacron® polyester and wool. From the Corporate® Collection.

Hart Schaffner & Marx®

36 South Franklin Street, Chicago, Illinois 60606. © 1979 Hart Services, Inc

Here's what we've been keeping under our hat.

It's no secret really.

The Northerners upped dividends for the sixth year in a row.

If this sounds familiar, that's fine with us.

Because there's one key word for Northern Natural Gas Company.

Growth.

Earnings were up five out of the last six years.

Revenues were nearly $2 billion.

Earnings per share? $6.15. Our second highest ever.

These are the facts. As you'll see in our 1978 Annual Report.

What else has improved for the Northerners?

Our Natural Gas Group bettered Northern's storage capability by filling our newest liquid natural gas storage tank with over 26 million gallons of energy. The largest tank of its kind in the nation.

Our Liquid Fuels Group has increased retail LP-gas outlets to 224 in 19 states.

Northerners in our Petrochemical Group added four new products to our PEAK® automotive line and began operation of a new 200 million pound per year polypropylene plant.

Northerners in our Exploration & Production Division now have acquired over one million net acres of offshore and onshore domestic gas and oil leases to explore.

So now you know what's going on under our hats.

We come up with new ideas every day. Ideas on how to do things better. Ideas on how to keep on growing.

And at the rate we're thinking about where we're growing, we might, just might, outgrow our hats.

Contact your broker for more information.

Northern

Natural Gas, Liquid Fuels, Petrochemicals, Exploration, Coa
Home Office: Omaha, Nebrask

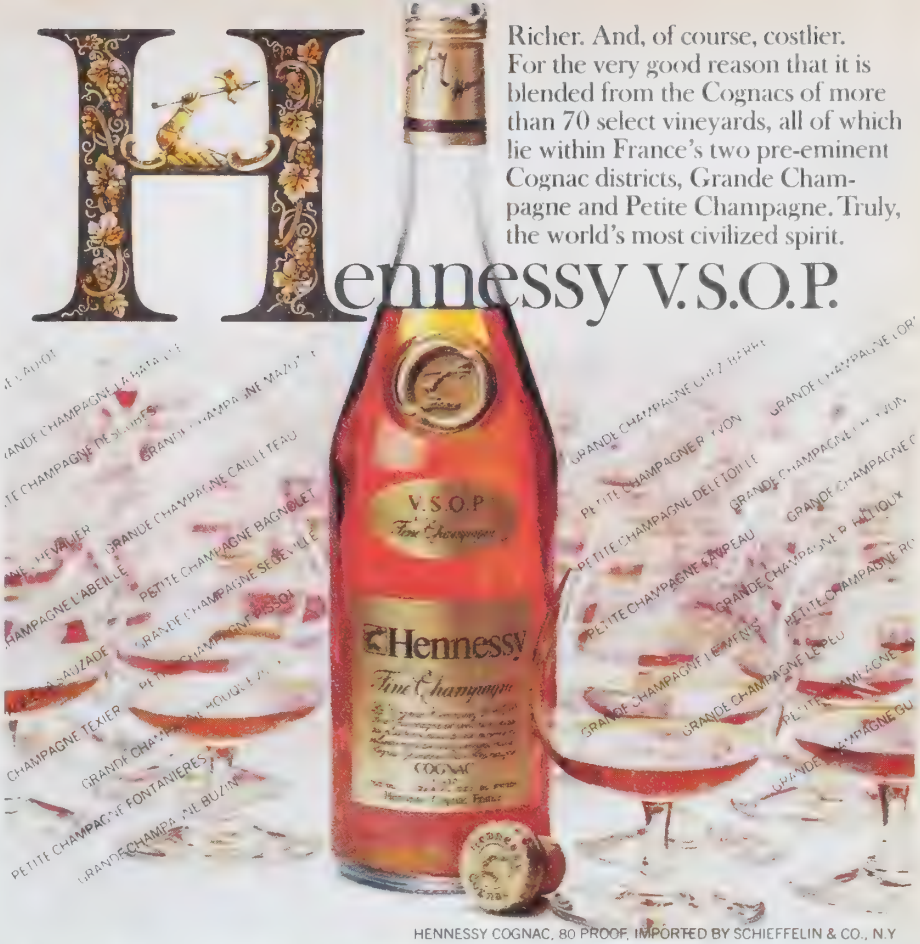
hoard and use it to reduce your cost, re still probably talking a cool $1 n. How many companies could up with that kind of scratch? ican Express, maybe, but what l American Express do with off- derrick barges and utility boilers? e fact that it is probably "safe" from vers is, ironically, one of the factors keeps McDermott stock depressed. rious world! So McDermott will bly spend 1979 waiting out the ma- onstruction doldrums, trying with elp of new outside directors to inte- the big B&W merger and collecting d $1.30 a share in interest on its eas cash pile. Meanwhile, it will to live down the bid-rigging scan- All this is hardly the kind of "story" nakes stocks go up.

the other hand, if you are the kind

mott platform for Shell's Cognac field ***ul! The thing costs $250 million.***

estor who thinks the time to buy a is when no one else wants it . . . re two mighty nice businesses, and day some good is going to come hat cash hoard.

then there is a wholly different o look at this stock. Follow this netic. The invested cash accounted out $1.30 of McDermott's earnings ar; that means operations account- about $2.10. Dilute the cash hoard w for probable eventual conversion preferred stock and you end up bout $15 a share; 15 from 20 is, of , 5. You are buying, then, McDer- operating earnings for $5 a —two-and-a-half times earnings. urse, it would be foolish to expect gement to distribute any important this cash to stockholders; but the ny's tremendous liquidity offers nds of business and financial op- Two chief ones: 1) Make a major ly acquisition—an unfriendly one be out of the question with the l still hanging over the company. ink the capitalization through a to your own shareholders. For who like to buy stocks when no ants them, J. Ray McDermott is an sting proposition. ■


Hennessy V.S.O.P.
Richer. And, of course, costlier. For the very good reason that it is blended from the Cognacs of more than 70 select vineyards, all of which lie within France's two pre-eminent Cognac districts, Grande Champagne and Petite Champagne. Truly, the world's most civilized spirit.
V.S.O.P
Hennessy
Fine Champagne
COGNAC
HENNESSY COGNAC. 80 PROOF. IMPORTED BY SCHIEFFELIN & CO., N.Y.

Panasonic presents a tape recorder 5/8-inch slim by 2 hours long.
Introducing the world's slimmest tape recorder. The new Panasonic Microcassette recorder, RN-006. Just ⅝" slim. That's slim enough to fit in most any pocket. But the RN-006 isn't slim on features. Because Panasonic gives you all this:
Two hours of tape on one Microcassette. A sensitive condenser mike. Capstan drive for precise tape speed. Easy-Matic recording. Cue and review. Lockable pause control. A tape counter. Plus the RN-006 comes attired in a sleek champagne-gold body.
And to make it even more attractive, the RN-006 comes with two Microcassettes. An AC adapter/recharger. A telephone pickup. A rechargeable battery pack. And a carrying case.
The new Panasonic RN-006. No other tape recorder measures up to it.
Panasonic
just slightly ahead
Panasonic

With blood, sweat and tears Jim Kerr turned Avco from a sick company into an immensely profitable one. His reward? A stock that sells at two times earnings.

Isn't anybody listening?

Avco Chairman James Kerr
Delaying retirement so acquisitors won't reap the spoils.

By Paul Gibson

THE CLOSE-CROPPED black hai gray now and modishly long; Air Force hero's rugged face lined. James R. Kerr, now 61, shows strains of the past few years. "I'm an man and tired," the Avco Corp. ch man tells an interviewer, not looking and tired but meaning that he would to retire. Why doesn't he? "What l me here for the last two years," he plies, "was your damned magazine."

In 1974 FORBES criticized Avco for versifying too widely and for indulgin all the then-current corporate f Events proved the criticism was Avco was already big in consumer nance and aircraft engines and parts, caught up in the frenzy of the Sixtie leaped into such hot fields as life in ance, land development, TV casset credit cards—and, folly of follies, mo making. Credit cards—Carte Blanch was a disaster; Avco lacked the tra er's-check business to back it up. So TV cassettes, where Avco was far early. The insurance portfolios w heavily into common stocks and sho a horrendous decline in earnings in crashes of 1970 and 1974.

Avco and its stockholders paid price. Its stock almost dropped ou sight, sinking from 49 to 2 by 1974. A not only stopped paying common d dends but also let arrearages pile up o preferred issues. There were huge wr offs and a cash squeeze.

Turnaround is a much abused w but it does describe what Kerr wrought at Avco—at the cost of sh dering a work load that would have ki a lesser man. After another writeof 1974, Kerr put Avco solidly in the bl and since then has been reporting st ily rising earnings. Last year Avco ear $122.7 million, up 14% for the yea return, fully diluted, of 13.8% on st holders' equity. Preferred arrearages h been cleared away and common d dends now run at $1 a year.

Kerr has slowly reduced Avco's di debt obligations to a manageable 36% capitalization from 56% in 1974. He manfully whipped into shape the inv ment portfolio owned by Avco's Paul vere Equity Management Co. Before began supervising every investm made, the portfolio was "literally un water," according to Kerr, with bad vestments. Since then the portfolio's vestment value has grown an ave 11% annually, to over $1 billion, w investment income has easily triple $75 million. Once a heavy speculato new equity issues, Avco now owns a handful of solid stocks, and puts m of its funds into A-rated bonds, comm cial mortgages and federal governm agency obligations.

Avco is still a conglomerate but

Take a closer look at America's newest billion-dollar telecommunications system.

No ad can give you all the information you need to evaluate a dramatically growing company.

Many times, though, an annual report can.

That's why we'd like to send you ours. We're United Telecom, operators of United Telephone, America's third largest telephone system, United Computing Systems and North Supply Company.

While we can tell you here that United Telecom is America's newest billion dollar telecommunications system, our annual report can tell you how it happened.

It will also give you some insight to our astonishing growth from $130 million in annual revenues in 1966 to more than $1.4 billion today.

And best of all, it will give you an in-depth look at the people behind one of the major telecommunications companies in America—a company that has doubled its revenues in just 6 years.

Send in the coupon today. We'll have our annual report on its way to you in no time.

An affirmative action employer.

United Telecom

United Telecommunications, Inc

More than a telephone company.

Mail to: D.F. Forsythe,
United Telecommunications, Inc.
Box 11315, Kansas City, Missouri 64112.

Please send me a copy of your latest annual report.

Name_____

Address_____

City_____

State_____ Zip_____

Company_____ Title_____

New York Stock Exchange symbol: UT. Newspaper listing: UniTel.

WS&A
WARREN STEWART & ASSOCIATES
48 Gramercy Park N. New York, N.Y. 10010
(212) 260-1726

March 9, 1979

Mr. Allen Kay
Executive Vice-President
Kay, Thomas & Anthony, Inc.
909 Third Avenue
New York, New York 10022

Dear Allen:

Thanks very much for your stimulating presentation last Thursday on "Information Management as a Cost-Cutting Tool."

Our people were very favorably impressed with the thoroughness and insight demonstrated by your research into this area.

However, we've decided to table for the time being any further explorations. Our "paperwork flow," we feel, is not great enough to warrant further action, since the vast majority of it consists merely of ordinary business letter like this one.

But thanks anyway for your help. And should the need for any in-depth cost analysis arise, we'd like you to know that your people will be among the first we'll contact.

Best regards,

Warren Stewart

Warren Stewart
President

WS/bc

$4.77

IT'S JUST YOUR AVERAGE EVERYDAY BUSINESS LETTER.

Remember the last business letter you wrote? Well, between the part that began "Dear so-and-so" and the part that ended "Best regards," you spent nearly $5.

That's one estimate of how much it costs a business just to produce a letter.*

Now, if a simple business letter costs that much, imagine how much it costs to create and handle all the other information you deal with daily.

At Xerox, our business is helping you manage information. And that includes helping you manage the costs of managing information.

We make electronic typing systems that help you create, edit and store information in a fraction of the time—and money—of ordinary typewriters.

Duplicators and computer printers that make Xerox-quality copies for just a few cents each.

And computer services that give you the benefits of a computer without the expense of owning one.

In fact, everything Xerox does helps you manage information. But we also provide you with an interesting side benefit:

We help you manage your money at the same time.

XEROX

OX® and Telecopier® are trademarks of XEROX CORPORATION.

*Source: Dartnell Institute of Business Research.

How long has it been since you talked about where you stayed, instead of just how many miles you covered?

THE RITZ-CARLTON
CHICAGO
Water Tower Place
Four Seasons Hotels

Call your Travel Agent
or in New York State
Toll-Free 800·462·1150
Elsewhere in Continental
U.S. 800·828·1188

We Welcome
American Express Cards

AMERICAN EXPRESS

longer a grab bag. Kerr is an operating man and personally involves himself in all facets of the complex operation.

"I've spent a lot of time rebuilding this mother and now I've got this company exactly where I want it," says Kerr. But he says it in full recognition of the fact that his troubles are not over. Avco's stock rebounded smartly in 1978 and reached $35 last November. Then it tumbled and today languishes at 20, where it sells for less than half book value and barely two times this year's expected earnings of around $9 a share. That's just about the lowest multiple on the Big Board. What's wrong?

"Damn analysts are like sheep," Kerr exclaims. He says The Street panicked and urged its customers to dump the stock without checking the facts on two important events. The first blow fell when Avco reported a sharp earnings drop in last year's final quarter. But there was an explanation for this: Avco had a huge capital gain in the 1977 quarter from the sale of some California land and this made a poor comparison inevitable. Actual operating earnings were up. The second problem is Iran, where Avco is deeply involved.

Khomeini's helicopter in Iran
Waiting for repair calls.

Avco is a major supplier of engines and engine parts to Iran's huge helicopter fleet, and was negotiating a deal to manage a new Iranian naval base when the Shah's government collapsed. But, says Kerr, any setback in Iran will be temporary, hurting this year's net by $5 million at most—about 38 cents a share—and will not mean a writeoff since the Iranians have prepaid for work now in progress. "Someday, somebody is g to have to fix those 565 Iranian hel ters," adds Kerr. If Iran is a thre Avco it is more in the loss of f business than in present dollars.

Yet another problem is the huge p tial dilution that hangs over the pany. Hangovers from Avco's acquis days are two huge issues of conve preferred stock and two of conve bonds. Were all the issues to be con ed, Avco's common capitalization w be doubled. This would, of course prove its balance sheet but would gr reduce earnings. On a fully diluted l Avco earned $5.05 last year *vs.* $8.96 predilution basis.

Considering Avco's unhappy past perhaps not so surprising that the lysts panicked at the first signs o news. However, this time the situ is very different from that of the Seventies. Of all Avco's eight major nesses, only one, the ill-fated Avco bassy Pictures, is still deeply in the Avco's $178-million-a-year Lyco Stratford division will prosper no m who comes out on top in Iran sin supplies helicopter engines to a m international manufacturers that cludes Bell, France's Aérospatiale, C dair and Italy's Augusta, as well a engines for the U.S. Army's XM1 that Chrysler is going to build. In sumer finance Avco is now a highl spectable number three in an imme profitable business. The Paul Rever Insurance division increased its ear to $26.7 million last year—almost over 1976. This year Avco shoul 19% on stockholders' equity—an a average showing.

Put together this solid corporate s tion with Avco's dismal standing i stock market and you get the pe recipe for a takeover. As a conglom Avco is doubly vulnerable; a tak artist could easily sell off valuable ch of the business and end up ownin rest at a modest cost. Or, look at i way: The would-be acquisitor coul twice the present market price for common and, even allowing for co sion, would get his money back earnings in about five or six years.

Between frequent visits to Avco' flung operations, Jim Kerr presides the $4.6 billion (assets) conglom from a Grecian-pillared mansio Greenwich, Conn. once inhabited b late Henry R. Luce. He gives the de impression he would like to retir not if it means leaving his hard turnaround to be reaped by outsid quisitors. "I should watch my wei he says ruefully, and then digs int ice cream with chocolate sauce serv the corporate dining room. He need bit of solace. What irony if Jim should lose control of Avco after wo so hard and so successfully. ■

Reach. That's what you'll have in Arkansas. We're the hub of America's biggest market: over 70 million people who can be reached in a single day. A location in one of our fully developed industrial parks or port sites gives you easy access to interstate, waterway, rail and air transportation. Write us, or call, the Arkansas Industrial Development Commission, State Capitol, Little Rock 72201. 501 371-1121.

ARKANSAS

Fast-growing Crawford & Co. makes a pretty penny doing other people's dirty work in the insurance industry.

Ambulance chasers —and proud of it

While mergers annually swallow h dreds of good-size American corp tions, our dynamic economy con ues to produce new businesses tined to grow and take their place the FORBES 500 lists. Which are th up-and-coming companies? What portunities have they grasped to them fast growth? What problem they face? In this new regular feat the editors throw the FORBES spotl on the growing universe of compa that are too big to be called s business and too small to be ca big business.

THERE ARE PLENTY of reasons why C ford & Co. of Atlanta, Ga. *ought* to be of the mangiest dogs in the corp kennel: It operates in an enormo fragmented mom-and-pop industry zero economies of scale; it doesn't superior technology or any other qui perceptible commercial advanta there is almost nothing Crawford ca that the vast majority of its far l corporate customers don't already d themselves; its labor-intensive busi is so unpleasant that its personnel t over rate is appalling. To top it off t is federal and state legislation pendin already on the books, that theoreti should put at least half of its busines the endangered species list.

But this company is nobody's m dog. Debt-free Crawford & Co. did million worth of business last year. S 1974 its return on equity has aver 27.8%—better than Kellogg or Hou Natural Gas, both among the 35 profitable major corporations in the Its internally generated earnings grown an average of 19.7% a year 1974, which is well above the norm

Today founder James H. Crawf family (not active in the busines worth at least $65.3 million and sa has no intention of selling out. And should it? There are no estate prob since the stock is held in four trusts generate over $2 million combine dividends. The value of their holdin commanding 75% of the common doubled more than three times 1974 as Crawford earnings went fro cents to $1.29 a share and its stock ed o-t-c) went from 1⅞ to 16¼.

Crawford is in the decidedly ungla ous business of insurance claims ad ment, one of the great remaining serves of the small businessman wo out of his own home. It's the se largest independent after UAL subsi GAB Business Services, which roughly 35% more volume but earns half as much. Independents like C ford survive on the spillover of cl that insurance companies can't, or wish to, handle themselves. founder Jim Crawford—who died at 1963—would never have believed fielding an army of underpaid, ha

The Up-And-Comers

Crawford & Co. Chairman J. Gandy Germany
"I find it easy, frankly, to get people to work for me. Maybe I'm just that right combination of sonuvabitch and nice guy that gets it done."

The name that's a leader in calculators and electronic cash registers

KIDDE

Victor Business Products is Kidde's outstanding performer in office products. The reasons? More than 6,000 facilities, for sales and service in every U.S. county and 80 nations. State of the art products like the new 600 series calculator that sets new standards for reliability and performance. And premium features across the line, without premium price tags.

Victor electronic cash registers are also scoring big in the fast-moving world of retailing. With ECR products that range from stand-alone units to expandable systems with data communications capabilities.

These quality products, and hundreds of others from Kidde, have helped produce record sales, net income and earnings per share year after year. And now annual sales are at a rate in excess of $2 billion. To learn more about Kidde, write for our Annual Report. Walter Kidde & Company, Inc., 9 Brighton Road, Clifton, New Jersey 07015. And to find out more about the Victor Business Products, call Victor's toll-free number (800) 447-4700; in Illinois (800) 322-4400.

Some Kidde leadership products:

Industrial, commercial
Grove *hydraulic cranes*
Victor *business machines and temporary services*
N.J. Office Supply, Scott Rice *office products*
Ross-Martin *forms management services*
American Desk *auditorium and stadium seating*
Dura *automotive components*
Garden State *auto seat leathers*
Weber *aircraft equipment*

Safety, security, protection
Kidde, Fenwal, TOTAL *fire protection equipment*
Sargent, Presto, Arrow *locks*
Globe *guards and investigative services*
LeFebure *banking equipment*

Consumer, recreation
Farberware *cookware and appliances*
Progress *lighting fixtures*
Keystone, Mobilite *lamps*
Rexair Rainbow *vacuum cleaners*
Spartus *clocks*
Lucien Piccard, Arnex *watches*
Ertl *die-cast toys, model kits*
Vanity Fair *electronic toys*
Bear *archery equipment*
Daisy *air rifles*
PGA *golf equipment*
Nissen *gymnasium equipment*
Valley *coin-operated pool tables*
K&S *lawn equipment*

trained youngsters whose job is to get auto accident victims to accept as little money as possible from their insurance companies could be anywhere near as profitable as Crawford & Co. is today.

"Jim Crawford and my predecessor, Andy Robertson, both had this strange feeling that we were put on earth to serve the needs of the big insurance companies," says jut-jawed Crawford Chairman T. (for Thomas) Gordy Germany, who became chief executive in 1973. "They were completely and totally intimidated by them, perhaps because both men had worked many years for insurance companies before joining Crawford. Crawford and Robertson thought if they raised their rates they wouldn't continue to get the business from the insurance companies. So our rate structure was totally inadequate. It was stupid."

So Germany, who joined the company penniless in 1948 (he was unable to wait a required three years to get into medical school), raised Crawford's prices. As a result, operating income rose from 9% in 1972 to 13.3% in 1978. He says the insurance companies are willing to pay Crawford's increased prices because Crawford adjusters are well educated (Crawford still hires only college graduates, though that may change), because with 711 offices in 50 states, Canada and Puerto Rico they are often closer to the scene of the accident, and mainly because they work harder. They work harder not because they're paid more (today a Crawford adjuster starts at $11,000 if he's lucky) but because their chances for one day making big money are much better than those of an insurance company adjuster.

"You'll work your tail off for the first five or ten years if you think you'll make a big chunk of change down the road," says Germany. "We've got 625 branch managers. Half receive 40% of their branches' profits. This year a substantial percentage of our managers will make over $50,000 and nearly 15% of those will make over $100,000. This is a good carrot."

But it is not an easy carrot to reach. Perhaps 90% of Crawford's adjusters quit within six months. "A lot of people can't say 'No' to little old ladies," Germany explains. "You're dealing with people who are mad. When my man goes to see the parents of some kid you ran over, they're not going to invite him in to have coffee. You're walking into a hornet's nest on almost everything you do.

"My son thinks I'm a slave driver," he goes on, "and I am. You've got to have a certain amount of that in you to make money today. Look: We buy a few cars and some desks. So if you've got four, five or ten people working and you can get them to produce two or three times their salary you're going to make money like a burglar." And he does.

But Gordy Germany has his problems, too. About half of Crawford's revenue is from automobile and casualty insurance claims and Germany concedes the auto side of the business has been declining for five or six years. But he vehemently denies this has to do with the increasing trend to no-fault auto insurance.

"No-fault is like anything else the government does," he says. "It's the biggest screwed up mess that ever came down the pike. Every state has different rules. All it did was further complicate and confuse the claims business, and anything that does that is good for me! The government is now talking about federal standards, but laws are passed by legislators who are, by and large, lawyers. And lawyers are not going to legislate themselves out of business! They'll put loopholes in there like thresholds beyond which no-fault doesn't apply. They're up to $1,000 now. But any lawyer worth his salt who can't come up with $1,000 in alleged expenses or injuries—they ought to take his ticket away from him!"

What *has* hurt Crawford's auto claims business, says Germany, is the increased willingness of insurance companies to handle routine claims by telephone or through the mails instead of the traditional face-to-face confrontation. This has dramatically increased the amount of claims they can handle internally. But he thinks things have bottomed out. "A backlash is coming," he predicts, "because a lot of the claims we're getting now are claims the insurance companies tried to handle by mail or phone three years ago but didn't get the signed release or didn't get the real details and now find themselves with $600,000 lawsuits and no files. *These* are the ones that now will take months and months, and will generate fat, juicy service bills for us. So this is helping us, really."

"A lot of people can't say 'No' to little old ladies. . . . When my man goes to see the parents of some kid you ran over, they're not going to invite him in for coffee. You're walking into a hornet's nest on almost everything."

What helps Crawford even more, however, are the new businesses that Germany has taken the company into—like self-insurance claims adjustment, for example. It now accounts for 15% of Crawford's volume. Major corporations have realized in recent years that it's often cheaper to pay their own casualty losses directly, up to a certain amount, rather than letting the insurance company do it, because that means they have use of the capital for far longer. For a flat fee, Crawford will handle all of the claims for self-insured companies like Great Atlantic & Pacific Tea Co., Weyerhaeuser, Kraft Inc., and even fast-growing mail-order insurance companies like Colonial Penn Group, Inc. For Crawford most of the work is routine and requires more paperwork. "Insurance companies require a helluva lot of detailed reports whereas A&P won't," Germany explains. "A&P will say, 'If it's under $2,500 don't even bother us. Just give us a monthly loss statement.' A&P doesn't want to have to deal with 14 different claims adjusters. They want a standard product. You may have to bid a little tight that first year to get the business but once they get in bed with you it's difficult for them to change and you can renegotiate the fee."

Germany has also taken Crawford into property insurance—now 15% of volume—which Jim Crawford had long resisted. "If a house burned down we would stiff-arm that basically because Crawford had been a casualty adjuster," says Germany. "Well, you don't just sit there and do that forever!"

Perhaps the most promising of Germany's new ventures is in a very different field: rehabilitation services. With workmen's compensation laws in many states now require that insurance companies provide rehabilitation for long-term disability cases. They're only too happy to comply. "An insurance company has to put up $2 million to $3 million in reserves for a young man in his 30s who has become a quadriplegic because of a job-related accident," says Germany. "The only way they can get that money down is for the guy to die—or for him to go back to work. Our people—and they've all got a masters degree in rehabilitation services—will give the man reconditioning process to convince him that he's not a vegetable; he can walk. Then they'll give him a battery of tests to determine what he can do and train him and find a job for him. Some states provide this service but like any governmental agency they screw it up. We charge $35 to $50 an hour, but something happens. That's just 4% of our business now. In five years it ought to do $20 million."

The formula couldn't be simpler: specializing in the dirty work of a major industry and providing both the incentive of rapid advancement and the spur of a frenetic work pace, Crawford & Co. has insured its own survival through sheer perspiration. What Gordy Germany has contributed is the corporate self-respect of adequate pricing, superior profits and a convincing demonstration that the organization can apply its formula successfully to new fields.

A growing tangle of litigation has created major headaches for American insurers. And a golden opportunity for a little company with the right formula and the good management needed to seize it. **—Geoffrey Smith**

The Royal Carriage.
A Father's Day gift for the king who has everything.

This new Crown Royal pourer is a most elegant way to serve the world's finest whisky.

To order yours, simply send $14.95 (plus local and state taxes where applicable) together with your name and address and the name you want imprinted on the Royal Carriage (up to 20 letters).

Mail to: Royal Carriage, Dept. FB1, P.O. Box 6000, Ronks, PA 17572. Allow six weeks for delivery. Offer may be withdrawn without notice.

FFER GOOD EXCEPT WHERE PROHIBITED OR RESTRICTED BY LAW. SEAGRAM DISTILLERS CO., N.Y.

Pan Am introduces 3 new ways to fly the world.

Some of the people we fly each day can afford the best service in the world.

And some simply want good service for the best prices in the world.

So, for our First Class passengers, flying on our long-range 747SPs, we're offering a brand-new idea in deluxe service. Unique reclining Sleeperette® seats and private table-for-two dining with excellent international cuisine.

For the business traveler, and others paying full fare, most of our 747s offer Clipper® Class, a separate section with free drinks and headsets. Plus a lot more attention on the ground and in the air.

For people taking advantage of our special fares, we have Full Service Economy Class. This offers the same high standard of service Pan Am Economy passengers have always enjoyed.

To bring you these three kinds of service, we have the largest fleet of 747s and 747SPs—the most advanced planes in the skies. With the kind of specialized service that can make all the difference on a long-distance flight.

See your Travel Agent or transportation department. And choose the way you want to fly the world. On Pan Am.

Clipper® Class, the separate section with an empty seat beside you whenever possible.

Pan Am's new 747SP First Class service features exclusive reclining Sleeperette® seats and the finest international cuisine, served individually or at a table-for-two.

Full Service Economy Class. Same great Pan Am service for those taking advantage of special fares.

We fly the world he way the world wants to fly.

PAN AM®

GEOBANKING®

The Manufacturers Hanover Way of Worldwide Banking

Geobanking.
It is money moving and working around the world.

It is the Manufacturers Hanover way of worldwide banking.

Unlike most major international banks, Manufacturers Hanover does not enter a region or a country with a rigid operational philosophy.

Instead, it adopts a way of banking that works best for a particular place at a particular time.

Geobanking.
It is wholly responsive, since it fine-tunes banking to national and regional needs.

It is flexible, admitting swift adjustment to changes in prevailing conditions.

And Geobanking enables Manufacturers Hanover to marshal strengths from the worldwide resources of a $40 billion organization.

MANUFACTURERS HANOVER
The banking source.Worldwide.

Incorporated with Limited Liability in U.S.A.
Member FDIC

ith foreign long-term investment drawn to the U.S. by stability and cheap dollars, the nders and their allies are having a field day.

"I can get it for you..."

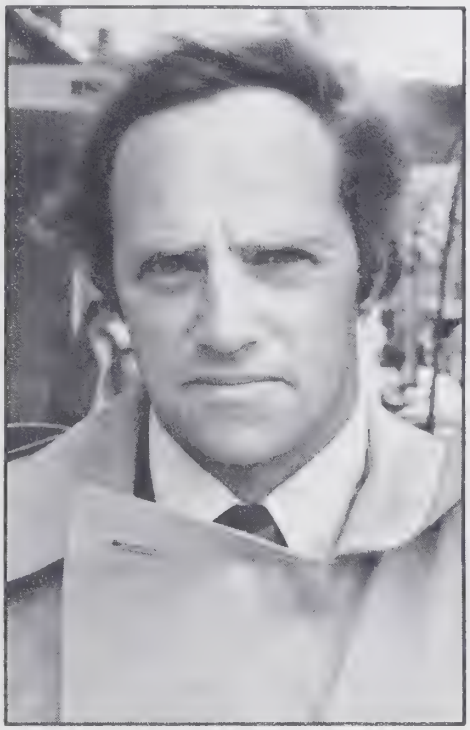
By Ben Weberman

N 1972 Albert Parker Jr., then head of syndicate and corporate finance at Wall Street's Loeb Rhoades, cked the rat race. He picked up his s and settled down on a ranch in as, which he named the "Lazy-P." nings aren't very lazy around the -P these days. When he's not riding range, Parker has been arranging ac- itions of ranchland by syndicates of pean buyers. Recently, since he had hand in, he put a German banking p together with a savings and loan ciation in the Southwest. He has an- r deal under way in Texas for acqui- n of an S&L with European money.

aymond A. Beahn runs the corporate ncing advisers division of Southeast National Bank of Miami. Like Par- he's suddenly turned into a finder. much Latin money is flowing into ida, he says, that "as far as I'm con- ed, the U.S. stops around Palm ch and everything south of that is n America." For years, Southeast National politely acknowledged, routinely spiked, foreign inquiries. v, Beahn and Sheila Trifari, new head ne international department, spend h of their time finding U.S. acquisi- s for that tide of foreign money.

awyer Gerald L. Parsky, a former l Streeter and later U.S. assistant sec- y of the treasury for international rs, heads the Washington office of Angeles' second biggest law firm, son, Dunn & Crutcher. Along with other partners and five associates, orks an "overloaded" schedule help- foreign investors, many of them s, through the shoals of U.S. acquisi- and securities law.

New York Neil A. Wassner got his break in the accounting firm of Main ntz when, at the age of 25, he was led its new mergers and acquisitions A) division. Klaus B. Jensen, a Dane once worked for FMC Corp. in Bel-



Former Wall Streeter Albert Parker Jr. ***Not so lazy on the Lazy-P.***

gium, heads the brand-new M&A department of Swiss Bank Corp.

For several years FORBES has been following the rising tide of foreign investment in the U.S. (*"The new immigration,"* FORBES, *Nov. 1, 1975*). The tide has continued to rise.

In 1977 in the U.S. the cumulative foreign investment totaled more than $34 billion in real estate and manufacturing plants. Last year it was more than $40 billion. This year it should mount to at least $45 billion, according to the Bureau of Economic Analysis, with a growing proportion—about 40% this year—in direct manufacturing. These data represent only reported or traceable investment. Sources suggest the figures could be up to $3 billion too low.

It's quite a paradox. Europeans and Arabs criticize U.S. economic policy and sell the dollar short. Yet their big investors pour money into the very economy that they say is going to pot. But whatever the contradictions, there is good money to be made by people who are in a position to act as go-betweens for money that wants to emigrate to America.

"Last year we handled $884 million in domestic and foreign investments," says Robert Ellis, a vice president of Coldwell Banker, the huge realty firm. "About $200 million was related to foreign capital. On that, we could make anywhere from 3% to 5% of each deal—around $6 million to $10 million overall."

That's one firm alone. Allowing for really giant deals, where the fees may average less than 1%, it is probable that American finders, bankers, realtors, brokers, accountants and lawyers earned at least $60 million to $100 million last year in handling all this foreign money.

Europeans have traditionally bought land and real property, and a well-developed finders industry long ago formed around the sale of commercial buildings, shopping centers and farms to foreign pension funds and syndicates. So much foreign money has poured into U.S. real estate that returns have dropped from the 12% level of two years back to around 7% today. Like most big investors, the Europeans are more interested in preservation of capital than in return on capital, and the U.S. strikes them as the ultimate haven; deals on some prime property have yielded the foreign investors 5% and less. Americans may be depressed by their economic predicament, but Europeans take a different view. They see a fundamentally conservative political situation, sensible trade unions and several thousand miles of ocean separating us from the Soviet Union.

There is a comforting solidity and passivity in real estate ownership. The foreigners have been slower to buy American businesses.

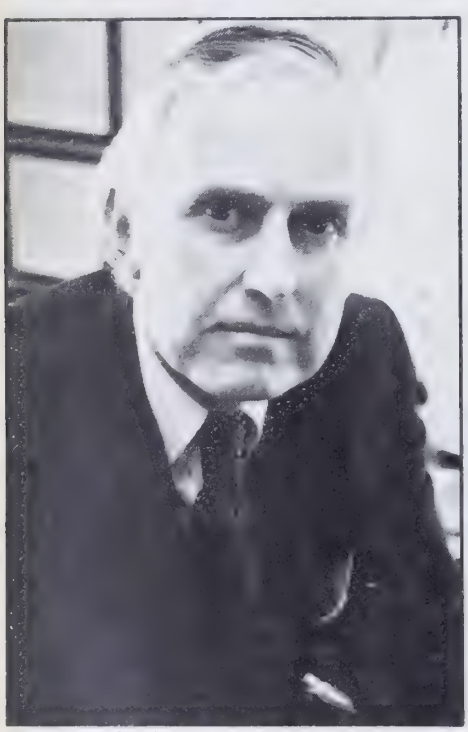
Says Southeast First National's Beahn: "The foreigners are saying, 'We have our real estate, we have our blue chips, now we want operating companies.' " Is the rest of the world taking over the U.S. only because our dollars are cheap? "That's a myth," says John P. Birkelund, chairman of New York's Rothschild-owned investment banker New Court Securities Corp. "The inflow of foreign capital will continue even if the dollar turns strong. Any company that wants to be in the big leagues has to have representation in the U.S. To be successful means to be here."

Another myth is that "the Arabs are buying up America." According to the Department of Commerce, all the citizens of OPEC nations together own less than 1% of foreign direct investment in the U.S., and little of that is in manufacturing. "We just haven't seen that Middle East money," says Coldwell Banker's

Ellis. "It's concentrated in small pockets. They [the Arabs] don't like passive long-term investments."

To date, therefore, the invasion is chiefly European, Canadian, Latin American, in that order, with the Japanese becoming more active slowly and carefully—as is their wont. Japanese capital, however, unlike European capital, is rarely refugee capital. The Japanese see an increasingly protectionist mood in the U.S. and are therefore anxious to protect their stake in the U.S. market by manufacturing here.

The big investment bankers are the beneficiaries of foreign investment on the biggest deals—like Dillon Read, which found Germany's Tengelmann to buy Great Atlantic & Pacific Tea Co. for $77 million. Or Atlantic Capital Corp., Deutschebank's U.S. institutional bank-



New Court's Chairman John Birkelund
"To be successful means to be here."

ing arm, which handled the DB's client, the Bartlesmann Group, in its purchase of 51% of the $100 million-valued Bantam Books. "But the real growing market," says Richard Urfer, Atlantic Capital's senior vice president, "is the $5 million to $50 million deal—in just about all industries." Enter the finders.

Smaller foreign buyers are bewildered and frightened by the barrage of disclosure required in U.S. acquisitions. They need help structuring the deal to get around several disadvantages, including the most important: Foreign companies ordinarily can't acquire with stock, since they aren't SEC registered; almost all sales are for cash, with attendant capital gains problems for the American sellers. Foreigners, too, must learn about the U.S.' ever-growing welter of health, safety and environmental laws. "You have to convince them that to come into our sandbox they have to play by our rules," says Dillon Read's Abram Claude Jr. "God, that's a struggle."

That's where attorneys like Parsky, politically connected to foreigners and adept at tackling the U.S. bureaucracy, come in. He is fighting an Internal Revenue Service proposed regulation that could alter the tax exemption historically given to income received by foreign governments on their U.S. financial investments. The regulations could require foreign governments to pay taxes on their real estate and corporate investments, and thereby lose the exemption they now enjoy on their portfolio investments. Parsky is afraid this could cause foreign governments to rethink buying or holding U.S. bonds and securities.

Parsky and his colleagues had been busy trying to buy New York hotel property for a foreign consortium. They are currently setting up a domestic investment bank for a Middle Eastern group, and buying companies for government investment portfolios. Parsky dislikes the term "finder." Okay. Call it a professional go-between, then. Parsky and Wassner both charge by the hour, with no fees contingent on success, which Wassner claims "is usually cheaper than a finder's fee as a percentage of the deal."

What is an accounting firm like Main Lafrentz doing in the finder business? Most of its M&A work is simply structuring the deal, but the "finder" part comes in as partner Wassner explains: "In many cases, the merger originates with a European client who goes to our international office and asks for help ting started in the U.S. They send hir my office. One European company an advertisement in the *Wall Street J nal* asking for merger candidates and five responses—all from finders." So how, it seems more respectable to h your own accounting firm as your "f er" rather than somebody who calls h self one.

Call them what you will, the betweens work hard for their mo Wassner has been working for ove months on an acquisition of its U.S. tributor by an Irish company. Thinl it, partners in a major accounting bill at $100 an hour for their servi Another transaction was quicker: Hyde-Thomson, chief executive of ain's Ipstock Johnsen Ltd., flew to N York every few mornings for six we on the Concorde, spent several hour Kennedy International Airport worl on the acquisition of Medusa Co Marion Brick Corp., and then flew h to London in time for a late-night sn

Specialists like Parsky and Was have benefited so far because ot haven't moved in yet; Parsky says th are very few other big corporate firms that are pushing as hard in U foreign mergers and acquisitions, bu says Shearman & Sterling is one that

By contrast, foreign investment U.S. real estate is a well-established b ness. One of the five largest land com nies in the U.S., in fact, is the Lehn Group, headquartered in Hamburg. Canadian office started in 1965, and U.S. arm was established in 1971. Le

The White Knight from the East

If there's anything Japanese businessmen hate, it's a fuss. But times change. Last month, Tokyo's Dainippon Ink & Chemicals, Inc. successfully outmaneuvered France's Rhône-Poulenc for Polychrome Corp., a $100 million (sales) lithographic supply company in Yonkers, N.Y. Dainippon did it with a tender fight, the first known instance of one involving a Japanese company in the U.S.

Last September, Rhône-Poulenc announced it was seeking a buyer for its 40% holdings in Polychrome—973,508 shares at $20 a share. DIC came up with the price in January, but Rhône-Poulenc changed its mind.

At that point, most Japanese companies would have politely withdrawn. Not DIC and its U.S. investment banker, Smith Barney, Harris Upham & Co. Polychrome and DIC had already allied themselves through trade and licensing agreements; the two companies negotiated a tender and, with DIC cast in the role of the White Knight of the East, rode into battle. When Rhône-Poulenc tendere at $17.25 a share, Polychrome CE Gregory Halpern refused to sell hi controlling 13%, and DIC topped th French offer at $21. When Rhône-Pou lenc went up to $22, DIC went to $2

That was too much for the French well versed in U.S. takeovers. The sued in state and federal court. A though civil lawsuits are a rare an traumatic experience for a Japanes businessman, DIC again stood fast.

By March, it was all over; Rhôn Poulenc dropped its suit and accepte DIC's final offer of $26. Smith Barne and the principals aren't talking, bu one source close to the deal said th outcome went "against the expecta tions of nine out of ten people yo might have asked a month ago."

By steeling DIC to the ordea Smith Barney stands to gain fees about $625,000—a $125,000 min mum and a 20-cent-a-share "success fee. And the Japanese have prove they can play as tough as anyone else

—Christine Mile

has 4,000 European investors and
) million worth of real estate assets
ost in the U.S. and Canada.
ehndorff raises money in (average)
000 lots through private banks in
ope and creates blind pools that be-
e closed-end limited partnerships.
mas Lardner, head of U.S. operations,
a staff of 470 scout the country for
ping centers and other commercial
erties, along with a few apartment
es and industrial real estate.
hndorff now has 14 limited partner-
s with from $12 million to $50 mil-
in equity each, leveraging with debt
½ times equity when the fund gets
o about $50 million. The company
s a 6% front-end load, splitting it
the European banks who help raise
money, and disburses an average 7%
r in dividends.
hndorff can't offer the tax advan-
s it could to Americans. (For exam-
an American investor can shelter
e of his income in the excess depre-
on loss, where a German investor
ot.) Says Lardner: "Our interest is in
-term ownership because we're not
helter oriented in the acquisition
sion. So we like to manage the prop-
s ourselves. If something needs re-
ng, our managers will make a long-
decision about it, not a short-term
sion." Lehndorff gets a lot of money
s trouble. It gets a 4% to 6% man-
ent fee—in addition to the front-
load and a 1½% acquisition fee on
hase of the property. No wonder
schebank last year started its own
use operation after working with
dorff for several years.
nerican Land Program, Inc., a Los
eles-based syndicator of U.S. proper-
is a sign of the times. Asked for its
brochures, American Land was
y to oblige: "What language do you
, German, French or Dutch?"
glish? "Sorry. We have nothing in
ish." ■

Among big foreign investors in U.S. industry, the Germans aren't the most numerous. But in total sales they're taking the lead.

Foreign investors in the U.S.— the pace quickens

THE COMBINED SALES of the companies listed below—the "100 largest foreign investments in the U.S."—amount to $113 billion, a staggering 40% increase over the last time this table was published (FORBES, *Nov. 15, 1977*). Less than 17 months ago, FORBES described the pace of foreign investment in American manufacturing as a "discreet amble." Now, it resembles the fury of an Olympic 100-meter dash. Last year alone 358 intended investments from overseas were announced, more than double the total three years ago.

More investors on our list are domiciled in the U.K. and Canada (23 and 22, respectively), but it is West Germany, with an even dozen, that dominates the field. Those 12 companies have a stake in $24 billion worth of U.S. sales. U.S. sales of the U.K.-based investors totaled $21 billion, Canada $13.4 billion.

Why the bulge? In great part it's due to the sheer heft of four new additions to the German column. The Tengelmann Group is spending $78 million to acquire 42% of ailing supermarketer Great Atlantic & Pacific Tea. Thyssen, the heavy industry giant, purchased automotive parts manufacturer Budd. Despite White Motor's 1978 results—a dismal $300,000 profit on revenues of $1.1 billion—M.A.N. is planning to purchase a majority interest in the truck and farm equipment company. And the Friedrich Flick Group, besides adding to its stake in W.R. Grace, picked up over 35% of U.S. Filter.

This year's table introduces 14 new foreign investors, including the government of Kuwait. Among the additional 10 new names listed in the "25 runners-up" are the Canadian brewer, Molson Cos., German chemicals manufacturer Schering and the Pirelli Group, which spent $60 million to buy the electric power cable operations of General Cable.

A word about the method. FORBES rankings are determined by adding up the sales of a foreign investor's American subsidiaries and the sales of any U.S. companies in which that investor owns 5% or more of the common stock.*

Checking procedures included questionnaires to some 1,700 companies. Given the traditional reticence of many foreign investors, the list is necessarily incomplete. **—Thomas Jaffe**

*Ownership of more than 5% of the common stock in a public company must be reported to the Securities & Exchange Commission.

The 100 largest foreign investments in the U.S.

eign investor	Country	U.S. company	% owned	Industry	Revenues (millions)	Assets (millions)	Profit (Loss) (millions)
Royal Dutch/	Netherlands	Shell Oil	69	oil	$11,123	$10,453	$814.0
Shell Group*	UK	Asiatic Petroleum	100	oil	1,236	NA	NA
					12,359		
Anglo American	So Africa	Engelhard Min & Chem*	29**	industrial materials	10,155	2,800†	142.2
Corp of So Africa Ltd*		Inspiration Consol Copper	73**	copper	103	134	(7.8)
		Terra Chemicals Int'l*	51**	chemicals	199	135	1.3
					10,457		
Tengelmann Group	Germany	Great A&P Tea*	42‡	supermarkets	7,500†	1,300†	(15.0)††
British Petrol Co Ltd*	UK	Standard Oil Ohio*	52	oil	5,198	8,326	450.0
		BP Pipelines	100**	Alaskan pipeline	380	1,490	66.0†
					5,578		
Friedrich Flick Group	Germany	WR Grace*	28	chemicals, consumer activities	4,310	3,300	170.4
		US Filter*	35	pollution control, chem	541	485	16.1
					4,851		

ublicly traded in U.S. † Estimate. ** Indirect ownership. ‡ Acquisition pending. †† Nine months. NA: Not available.

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industry	Revenues (millions)	Assets (millions)	Profit (Los (millions
6. B.A.T Industries Ltd*	UK	Brown & Williamson Ind	100	tobacco, retailing	$3,500†	$2,250†	$100.0
		BATUS	100	paper, cosmetics			
7. Solvay & Cie SA	Belgium	Allied Chemical*	5	chemicals, oil and gas	3,268	3,000†	120.2
		Soltex Polymer	100	chemicals	120†	NA	NA
		Hedwin	100	plastics processing	30†	NA	NA
					3,418†		
8. Cavenham Ltd	UK	Grand Union	100**	supermarkets	2,800†	NA	NA
9. Richard Gruner	Liechtenstein	American Airlines*	5	airlines	2,740	2,768	134.4
10. Robert Bosch GmbH	Germany	Borg-Warner*	10	chemicals, automotive parts, air-conditioning	2,326	1,646	133.4
		American Microsystems*	10**	computers	80	57	2.8
		Robert Bosch Corp	100	electronics	170	100	NA
					2,576		
11. Philips NV* (stockholders)	Netherlands	No American Philips*	62**	electronics	2,184	1,183	68.0
12. Unilever NV*	Netherlands	Lever Brothers	100	consumer goods	861	365	(11.0
		Thomas J Lipton	100	food	617	346	35.5
		Nat'l Starch & Chemical	100	chemicals, starch, adhesives	419	299	29.8
					1,897		
13. Seagram Co Ltd*	Canada	Joseph E Seagram & Sons	100	liquor, oil and gas	1,887	1,820	44.1
14. Nestlé SA	Switzerland	Nestlé Co	100	food	1,300†	NA	NA
		Libby, McNeill & Libby	100	food	250†	NA	NA
		Stouffer	100	food, restaurants	200†	NA	NA
		Alcon Laboratories	100	drugs	100†	NA	NA
					1,850†		
15. Bayer AG*	Germany	Mobay Chemical	100	chemicals	779†	NA	36.2
		Miles Laboratories	100	drugs	537†	NA	18.1
		Cutter Laboratories	100	drugs	240†	NA	NA
					1,556†		
16. Thyssen AG*	Germany	Budd	100	automotive products	1,400†	NA	NA
17. George Weston Ltd	Canada	Peter J Schmitt	87**	supermarkets	350†	NA	NA
		National Tea*	74**	supermarkets	900†	150†	7.0
		Interbake	100	bakeries			
		Eastern Fine Paper	100	paper	150†	NA	NA
		Ruperts Certi-Fresh Foods	82**	fish processing			
					1,400†		
18. Imperial Chemical Industries Ltd*	UK	ICI Americas	100	chemicals	620†	NA	NA
		Fiber Industries	38	man-made fibers	764	480	NA
					1,384†		
19. Henkel KGaA	Germany	Clorox*	19	consumer products	1,100	350	34.6
		Henkel Corp	100	specialty chemicals	220†	NA	NA
					1,320†		
20. "C.I.P." SA	Luxembourg	AE Staley Mfg*	9	food ingredients, animal feeds	1,214	583	15.4
21. Pechiney Ugine Kuhlmann	France	Pechiney Ugine Kuhlmann Corp	100	aluminum, trading, engine parts	1,200	727	57.0
22. Petrofina SA	Belgium	American Petrofina*	69	oil	1,168	982	32.0
23. BASF AG*	Germany	BASF Wyandotte	100	chemicals	816	590	27.6
		Badische Corp	100	chemicals	323	270†	NA
					1,139		
24. M.A.N. AG	Germany	White Motor*	51††‡	trucks, farm equip	1,096	618†	0.3
		Wood Industries	100	printing equipment	21	20	0.1
					1,117		
25. Ciba-Geigy Ltd	Switzerland	Ciba-Geigy Corp	100	chemicals, drugs, consumer goods	1,100†	1,000†	NA
26. Alcan Aluminium Ltd*	Canada	Alcan Aluminum Corp	100**	aluminum	1,080	451	34.0
27. BOC Int'l Ltd*	UK	Airco	100	industrial gases	1,020†	970†	56.0
28. Hanson Trust Ltd	UK	Hygrade Food Products	100	meat processing			
		Carisbrook Industries	100	specialty textiles	1,016	NA	NA
		American Farm Products	100	agricultural prod			
		Interstate United	100	food service mgmt			
29. Fiat SpA*	Italy	Fiat-Allis	81	construction equip	790	762	3.0
		Bentley Laboratories*	35	medical devices	34	33	0.6
		Hesston*	50	agricultural equipment	166	141	(3.7)
					990		
30. Genstar Ltd*	Canada	Flintkote*	21**	building materials	730	552	37.7
		Genstar Chemical	100	fertilizer			
		Genstar Pacific	100	housing, land devel financial services	250†	NA	NA
					980†		

* Publicly traded in U.S. † Estimate. ** Indirect ownership. ‡ Acquisition pending. †† Nine months. NA: Not available.

What is NCR up to now?

We're up to more than 4,500 computer systems for manufacturing.

Your home, very likely, contains an article that was tracked by an NCR computer system at the point of manufacture. We can say that because more than 4,500 manufacturing companies now count on NCR computer systems to reduce their costs.

High marks in industrial markets—Our growth in this market is dramatic. NCR has installed more computer systems in commercial and industrial companies in the past five years than during the preceding ten.

In addition, factory data collection systems from NCR's Data Pathing Division, expand NCR's user base among the nation's largest manufacturers, including four of the top ten.

Manufacturers depend on NCR systems—Why are we a leader in manufacturing? Companies such as Beech Aircraft, Bell Helicopter, Caterpillar Tractor Co., Liebherr Construction Machines and Xerox helped put us there.

They depend on NCR systems for management information.

Providing business equipment for almost a century—But helping manufacturers fight rising costs is nothing new for NCR. We've been in the business equipment field for 95 years. Manufacturers look for this kind of experience when they choose an EDP system.

Support where needed and when—And they look for support. NCR supplies it, with 16,000 highly trained field engineers around the world. This global support network is especially important to companies with plans for expansion.

Industry is just one of the fields where NCR is a leader. We're also up to management's most demanding requirements in retailing, financial, commercial, healthcare, education and government markets.

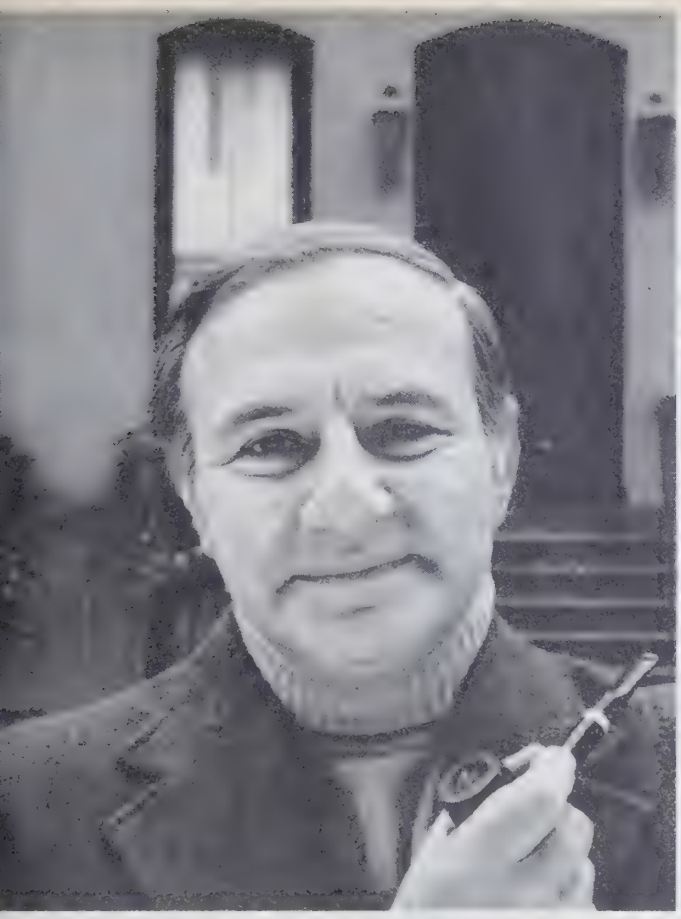
Now you know why NCR is a world leader in general-purpose computers.

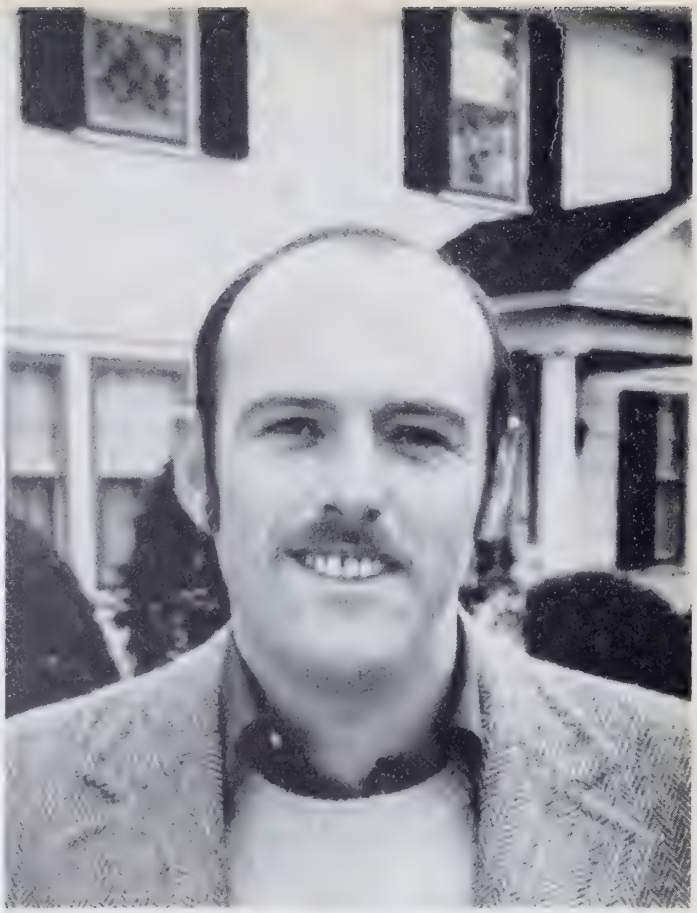
NCR
Complete Computer Systems

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industry	Revenues (millions)	Assets (millions)	Profit (Lo (million
31. Hoechst AG*	Germany	American Hoechst	100	chemicals	$915†	$925†	$21.(
32. Compagnie de St-Gobain Pont-à-Mousson	France	CertainTeed*	54	building supplies	895	670	50.8
33. Akzo NV	Netherlands	Akzona*	66	chemicals, fibers	869	704	21.(
34. Moore Corp Ltd*	Canada	Moore Business Forms	100	business forms	851	NA	NA
		FN Burt	100	packaging			
35. Canada Development Corp	Canada	Texasgulf*	30	mining	602	1,513	50.
		Polysar	100**	plastics, rubber	200†	NA	NA
		Wordplex	54**	word processing equipment	12	NA	NA
					814†		
36. Rhône-Poulenc SA	France	Morton-Norwich Products*	19	salt, food products, chemicals	657	434	36.9
		Rhône-Poulenc Inc	100	chemicals	140	110	NA
					797		
37. INCO Ltd*	Canada	ESB Ray-O-Vac	100	batteries	750†	660†	NA
		Huntington Alloys	100	nickel conversion			
38. Alusuisse	Switzerland	Consolidated Aluminum	60	aluminum	740†	535†	NA
39. Davy Corp Ltd	UK	McKee	100	construction, engineering	550†	135†	7.8
		Davy Powergas	100	heavy construction	182	46	2.8
					732†		
40. F Hoffmann-La Roche & Co	Switzerland	Hoffmann-La Roche Inc	100	drugs	720†	NA	NA
41. Mitsui & Co Ltd*	Japan	Alumax	45	aluminum	718	657	52.4
Nippon Steel Corp	Japan		5				
42. Hugo Mann	Germany	Fed-Mart*	68	department stores	696	235	3.1
43. Massey-Ferguson Ltd*	Canada	Massey-Ferguson Inc	100	machinery	689	NA	NA
		Perkins Diesel	100	engines			
44. Thyssen-Bornemisza NV	Netherlands	Indian Head	100	diversified mfg	680†	NA	NA
45. Northern Telecom Ltd*	Canada	Intersil*	23	semiconductors	102	63	7.5
		Northern Telecom Inc	100	telecommunications	300†	NA	NA
		Data 100	100	data processing	250†	NA	NA
		Sycor	100				
					652†		
46. Agache-Willot Group	France	Korvettes	100‡	department stores	620†	220†	(1.
47. Dominion Bridge Co Ltd	Canada	AMCA International	100	steel products	609	424	28.(
48. Allied Breweries Ltd	UK	TFI Companies*	48**	food, building materials	200†	67†	1.
		DCA Food Industries	80**	food preparation			
		Baskin-Robbins	100**	ice cream	381†	NA	NA
		Tetley	100**	tea, coffee			
					581†		
49. Bowater Corp Ltd*	UK	Bowater Holdings	100	paper, pulp	580†	577†	33.(
50. Estel NV	Netherlands	Envirotech*	26	pollution control	520†	320†	6.
Hoesch-Hoogovens		Beckley Coal	25	coal	37	54	7.
					557†		
51. Cie Française des Pétroles	France	Total Petroleum	100**	oil	553	337	8.
52. Sandoz AG	Switzerland	Sandoz US	100	foods, drugs, seeds, chemicals	538	NA	NA
53. Unitex Ltd	Hong Kong	Dan River*	8	textiles	530	327	13.
54. Consolidated Gold Fields Ltd*	UK	Azcon	100	steel	332	194	7.
		ARC America	100**	concrete products, sand, gravel	170†	NA	NA
					502†		
55. CGEM	France	Michelin Tire Corp	100	tires	500†	NA	NA
56. Franz Haniel & Cie	Germany	Scrivner	100	wholesale & retail foods, department stores	484	68	4.
57. Siemens AG*	Germany	Siemens Corp	100	medical, equipment, electronics	326	NA	NA
		Advanced Micro Devices*	20	semiconductors	145†	55†	9.
					471†		
58. Husky Oil Ltd*	Canada	Husky Oil Co	100	oil	338	368	11.
		Gate City Steel	100**	steel	86	46	2.
		Husky Industries	80**	charcoal	38	34	3.
					462		
59. Babcock & Wilcox Ltd	UK	American Chain & Cable	100	metal prod, mining equip	440†	300†	20.
60. United Biscuits Ltd	UK	Keebler	100	baked goods	437	176†	NA

* Publicly traded in U.S. † Estimate. ** Indirect ownership. ‡ Acquisition pending. †† Nine months. NA: Not available.





One of these homeowners is thrifty, safety conscious, and a sitting duck for financial disaster.

He doesn't even know it. He thinks he's done his best to protect his home and his possessions. He hasn't.

Many people, like the man on the left, believe they have adequate homeowners insurance. But inflation has been pushing up the value of their homes. They don't update their coverage every year. So when disaster strikes, they are unable to fully recover their losses.

Rising replacement costs are one reason. In the last 10 years the cost of re-siding a home jumped 132%, re-shingling a roof 155%; and repainting a living room 142%.[1] In the last five years alone, the cost of building a new home has increased 63%.[2]

As a group of property and casualty insurance companies, we don't want you to be a sitting duck by not having your insurance provide full protection for your home. Check with your agent to be sure your homeowners policy reflects the amount of additional coverage inflation has made necessary.

Here's what we're doing to help protect you:

- Offering policies with a built-in inflation clause.
- Supporting strict building codes to reduce fire risk.
- Designing new coverages to meet the special insurance needs of older homes.
- Helping to develop safety standards which protect life and property.
- Operating special claims assistance and damage repair programs in times of catastrophe.
- Conducting fire prevention and arson control programs.

Here's what you can do to protect yourself:

- Re-evaluate your home insurance needs annually with your agent.
- Take a higher deductible if you can. It lowers your premiums.
- Install a smoke detector or burglar alarm. Many companies offer premium discounts for such devices.
- Get a receipt or appraisal for all major household items (furniture, antiques, jewelry, art). Duplicate it and keep it and all such records in a safety deposit box away from your home.
- Inventory all your possessions and take photos of each room to document what you have.

1 Source U S Dept of Labor 2 Cost does not include land Source U S Dept of Commerce

This message is presented by: The American Insurance Association, 85 John Street, New York, NY 10038

Affordable insurance is our business...and yours.

© 1979 American Insurance Association

The 100 largest foreign investments in the U.S.

Foreign investor	Country	U.S. company	% owned	Industry	Revenues (millions)	Assets (millions)	Profit (Lo (millio
61. IMETAL	France	Copperweld*	66	steel, copper fabrication	$420	$296	$11.(
62. Beecham Group Ltd*	UK	Beecham Inc	100	drugs, consumer prod	415	395	NA
63. Sanbil Handels Anstalt	Liechtenstein	General Refractories*	7	building materials, refractories	414	340†	(3.2
64. MacMillan Bloedel Ltd*	Canada	MacMillan Bloedel Inc	100	forest products	400†	150†	NA
		Atlantic Forest Products	100				
65. Olsen, Lehmkuhl families	Norway	Timex	100	watches	400†	NA	NA
66. Canadian Pacific Ltd*	Canada	Soo Line RR*	56	railroad	251	410†	23.3
		Baker Commodities	100**	vegetable oils, animal fats	140	22	NA
					391		
67. ECL Investments Ltd	Canada	Hannaford Brothers*	11	food distribution	377	83†	3.(
68. Coinvest NV	Netherlands	Korf Industries	70	steel, technology	350	360	NA
Kuwait	Kuwait		30				
69. Rio Tinto-Zinc Corp Ltd*	UK	US Borax & Chemical	100	chemicals	250†	NA	NA
		Tennessee Bldg Products	55**	building materials	100†	NA	NA
		Peachtree Doors	39**	door products			
					350†		
70. Sony Corp*	Japan	Sony Corp of America	100	electronics	325†	NA	NA
71. Fujitsu Ltd	Japan	Amdahl*	27	computers	321	286	48.(
72. Imasco Ltd	Canada	Hardee's Food Systems*	39	restaurants	259	110	8.3
		Progresso	100	food	50†	NA	NA
		Pop Shoppes of America	49**	soft drinks	7	NA	NA
					316†		
73. ELF Aquitaine Group	France	ELF Aquitaine Inc	100	chemicals, oil, gas	248	205	9.(
		Rilsan	50**	engineering, plastics	25	15	NA
		Al-Aquitaine	75**	oil, gas, coal	39	163	NA
					312		
74. L'Air Liquide	France	Liquid Air Corp of NA*	79	industrial gases	304	318	18.3
75. BBC Brown, Boveri & Cie	Switzerland	BBC Brown, Boveri Co	100	mechanical & electric power equipment	300†	NA	NA
76. Dunlop Holdings Ltd*	UK	Dunlop Tire & Rubber Co	100	tires, sporting goods	300†	NA	NA
77. AB SKF	Sweden	SKF Industries	96	bearings, automotive parts	300†	221	11
78. Delhaize Frères&Cie "Le Lion"	Belgium	Food Town Stores*	52	food stores	299	66	9.9
79. COPERSUCAR	Brazil	Hills Bros Coffee	100	coffee	275†	NA	NA
80. Ivaco Ltd	Canada	Laclede Steel*	20	steel	210	134	4.(
		Nat'l Wire Products	60†	reinforcement mesh	50†	NA	NA
					260†		
81. Hawker Siddeley Group Ltd	UK	Onan	37	engines, generators	222	143	18.(
		Lister Diesels	100	engines	15†	NA	NA
		KW Battery	100**	batteries	10†	NA	NA
		Corinth Machinery	100**	sawmill equipment	4†	NA	NA
					251†		
82. DSM	Netherlands	Nipro	100	chemicals, fertilizers	250†	NA	NA
83. Ghaith Pharaon	Saudi Arabia	Sam P. Wallace*	36**	construction	236	361	2.9
84. Canadian Nat'l Rwy	Canada	Grand Trunk Corp	100	railroad	235	365	13.(
85. EMI Ltd*	UK	Capitol Ind-EMI	100	records	223	160	10.(
86. Esselte AB	Sweden	Dymo Industries	100	marking equipment	222	128	(1.(
87. Reckitt & Colman Ltd	UK	Reckitt & Colman (NA)	100	food	220†	NA	NA
88. Creusot-Loire	France	Ag-Met*	42	reclamation metals	89†	56	(8.5
		Phoenix Steel*	50	steel	127	120	(3.9
					216†		
89. Noranda Mines Ltd	Canada	Noranda Aluminum	100	aluminum	210	210	8.(
		Norandex	100	aluminum products			
		Norandal	100	aluminum products mill	NA	40	NA
					210		
90. Cominco Ltd*	Canada	Cominco American	100	metals, chemicals, fertilizers	205	NA	NA
91. Brenninkmeyer family	Netherlands	Ohrbach's	100**	specialty stores	200†	NA	NA
		Maurices					
		The Lodge					
92. Cadbury Schweppes Ltd	UK	Cadbury Schweppes USA	100	soft drinks, candy	200†	NA	NA
93. Hiram Walker-Good-erham Worts & Ltd*	Canada	Hiram Walker & Sons	100	liquor	200†	100†	NA
94. IFI International SA	Luxembourg	Moog Automotive	100	automotive parts	100†	NA	NA
		Bantam Books	49**	publishing	100†	NA	NA
					200†		
95. Reed Int'l Ltd	UK	Reed Holdings	100	paper, wallpaper, publishing	200†	NA	NA

Publicly traded in U.S. † Estimate. ** Indirect ownership. ‡ Acquisition pending. †† Nine months. NA: Not available.

Harris technology on the job

n information systems, Harris produces data processing erminals, general-purpose computers, vord processing systems and supervisory control systems.

Harris offers a complete family of high-performance, general-purpose computer systems. Providing virtual memory, data base management and a multitude of anguages for scientific and comrnercial applications.

Harris computer system at Shell Oil's Science and Information Center

Harris technology works worldwide—in communication equipment, information systems, government systems, semiconductors and printing equipment. For information, write: Harris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATION AND INFORMATION PROCESSING

Twenty-five years ago, Dwight D. Eisenhower proposed the Interstate Highway System. Now we need to keep it going.

Dwight D. Eisenhower. General, 34th President.

In the summer of 1954, President Eisenhower set forth "a grand plan" to build the most ambitious engineering and construction project in modern history. The National System for Defense and Highways.

The project's scope was mind boggling. Some 40,000 miles of limited entry freeways would criss-cross the country, linking nearly every city in the continental U.S.

Now the Interstate Highway System is virtually complete.

Its influence on American life has been enormous.

You can now travel coast to coast in a fraction of the time and do it more safely. The System saves an estimated 8,000 lives every year.

Let's keep this great idea going.

The Interstate Highway System has been a tremendous success. But much of it is nearly 20 years old—the practical lifespan for such a road. And needs to be refurbished.

Very simply, the time has come for another "grand plan." Our nation should rebuild its Interstate now.

At ☆LONESTAR, we have the technology and capacity to help this nation build its great projects.

Throughout history, America's important building projects have contributed to the growth and prosperity of our country. ☆LONESTAR believes it's time for more, and we believe we can help.

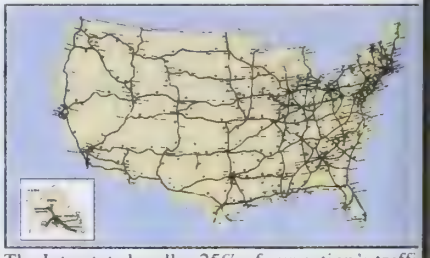
☆LONESTAR is America's leading cement company and the cement industry's leading innovator. For example, ☆LONESTAR technology is

An interstate highway about 60 years ago.

helping the energy producers in the development of new gas and oil fields. By using our highly sophisticated cement products, producers can now drill deeper and more efficiently than ever before.

☆LONESTAR—a thriving builder of America.

Besides being first in cement ☆LONESTAR is one of the biggest and



The Interstate handles 25% of our nation's traffi yet takes up only 1% of its road mileage.

most successful building material suppliers. In lumber, aggregate, and ready-mix concrete for construction In home care centers for the do-it-yourselfer. Lone Star Industries Inc One Greenwich Plaza, Greenwich Conn. 06830. An exciting company A thriving company.

A great American builder.

☆LONESTAR

The 100 largest foreign investments in the U.S.

eign investor	Country	U.S. company	% owned	Industry	Revenues (millions)	Assets (millions)	Profit (Loss) (millions)
6. Wellcome Fdtn Ltd	UK	Burroughs Wellcome	100	drugs	$200†	NA	NA
7. Steel Co of Canada Ltd	Canada	Tilden Iron Ore Partnership	16	iron ore mining	75	$384	$(5.0)
		Tilden Iron Ore Co	16	iron ore mining	NA	86	NA
		Erie Mining	10	iron ore mining	NA	218	NA
		Stelco Coal	100	coal mining	NA	86	NA
		Pikeville Coal	100	coal mining	NA	77	NA
		Eveleth Expansion	24	iron ore mining	NA	309	NA
		Ontario Iron	10	iron ore mining	NA	5	NA
		Mathies Coal	13	coal mining	48	41	9.0
		Beckley Coal	13	coal mining	37	54	7.0
		Olga Coal	10	coal mining	36	33	4.0
					196		
8. Plessey Co Ltd*	UK	Plessey Inc	100	electronics, metals	190†	110†	4.5†
9. Thomson Newspapers	Canada	70 newspapers	100	publishing	190†	NA	NA
0. Dalgety Ltd	UK	Dalgety Inc	100	food, steel, grain	180†	NA	NA

ublicly traded in U.S. † Estimate. NA: Not available.

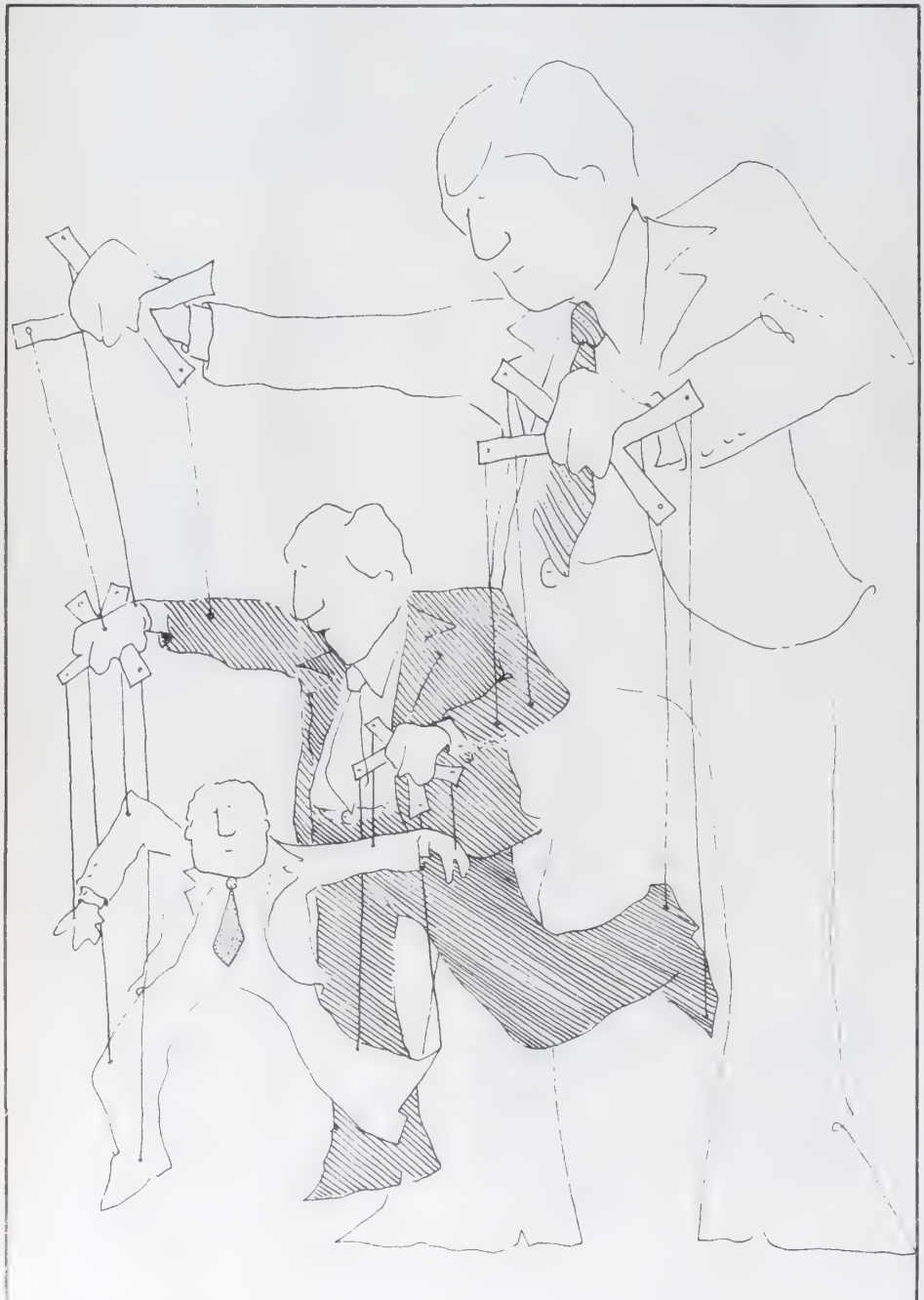
And the 25 runners-up

1. Abitibi Paper Co Ltd*	Canada	Abitibi Corp	100	building products	$172†	NA	NA
		Boise-Price	50	newsprint			
2. Ing C Olivetti & C SpA*	Italy	Olivetti Corp of America	100	office equipment	170†	NA	$(30)†
3. Wienerwald Holding AG	Switzerland	Lums Restaurant	100	restaurants	103	NA	NA
		IHOP*	51‡	restaurants	62	$57	2.5
					165		
4. Société Bic	France	BIC Pen Corp*	57	pens, lighters, razors	154	122†	8.5
5. Coats Patons Ltd	UK	Coats & Clark Inc	100	textiles	150†	100†	NA
6. Distillers Co Ltd*	UK	Distillers Co	100	liquor	150†	38†	NA
7. Gardinier family	France	Gardinier Big River	60	agricultural chemicals	150†	NA	NA
8. Matsushita Electric Industrial Co Ltd*	Japan	Matsushita Electric Corp of America	100	electronics	150†	NA	NA
9. Molson Cos Ltd	Canada	Diversey	100	chemicals, sanitation	150†	50†	6.0
0. Eteroutremer SA	Belgium	Susquehanna*	48	insulation, plastics	140	89	11.0
1. Dainippon Ink & Chemicals Inc	Japan	Polychrome*	40‡	lithographic supplies	111	88	4.9
		DIC-America	100	printing ink, plastics	26	11	0.1
					137		
2. Brooke Bond Liebig	UK	Brooke Bond Foods	100	food	130	25	NA
3. Chloride Group Ltd	UK	Chloride Inc	100	batteries	130†	82†	1.3†
4. Liquigas SpA	Italy	Ronson*	36**	lighters, appliances, aerospace	130†	172†	1.3†
5. Courtaulds Ltd*	UK	Courtaulds NA	100	synthetic fibers	125†	NA	NA
6. Portland Zement-werke Heidelberg AG	Germany	Lehigh Portland Cement	100	cement	125†	NA	NA
7. Turner & Newall Ltd	UK	Philip A Hunt Chemical*	52	chemicals	91	69	7.5
		Nuturn	80	automotive parts	20	NA	NA
		Flexitallic Gasket	100	gaskets	12	NA	NA
					123		
8. Johnson Matthey & Co Ltd	UK	Matthey Bishop	100	precious metals	100	35	NA
		Meyercord	95	decals, film	21	8	0.5
					121		
9. BTR Ltd	UK	SW Industries	100	industrial mfg	119§	112†	6.5§
0. Schering AG	Germany	Sherex Chemical	100	fatty acids & derivatives	110†	NA	NA
1. Triad Holding Corp	Saudi Arabia	AZL Resources*	15	agribusiness	110	137	0.7
2. Carl Freudenberg	Germany	Pellon	100	fibers, oilseals	105	NA	NA
		International Packings	100	packaging			
3. Tootal Ltd	UK	American Thread	100	thread	104	75	3.1
4. Pirelli Group	Switz/Italy	Pirelli Cable Corp	100**	electric power cable	103†	67†	NA
5. Bertelsmann AG	Germany	Bantam Books	51	publishing	100†	NA	NA

ublicly traded in U.S. † Estimate. ** Indirect ownership. ‡ Acquisition pending. § Pro forma. NA: Not available.

Life insurance companies are the hottest items in the takeover game. Why? Because these outfits have such nice, flexible balance sheets.

It's called creative accounting



By Paul Gibson

HAVE YOU NOTICED how hardly a seems to go by without so body's making a takeover bid an insurance company? What's the rush all about? What do the buyers kn that the rest of us don't—which ma them willing to pay up to 2 times b value for shares that sell in the mar for as little as book?

Since late 1975 close to $2.6 billio cash and stock has changed hands some 50 or so insurance firms have c under new ownership. The flurry of d have ranged from tiny, with Citiz Security Life Insurance Co. paying un $1 million for American Capital Life to last fall's $642 million acquisitio Franklin Life Insurance Co. by cash- American Brands, Inc. Deals worth c to another $1 billion are expected t sealed in the coming months by fi like USLIFE Corp., which in Febru announced its 17th acquisition.

Within recent weeks Life Insura Co. of Georgia has gone on the block be bought by a group of European in tors. A Dutch company has bought th U.S. life insurance companies and a German outfit has bought into one. M Corp. has acquired Great Southern Insurance Co. while Aetna Life & C alty Co. is bidding for American Insurance Co., for whom Lincoln tional Corp. has raised its offer tw Other insurers, including Republic tional Life Insurance Co. and Monum tal Corp., are rumored to be take candidates.

There's plenty more where that c from. Life insurance is a huge indu In the U.S., citizens hold over $2.3 lion of life insurance. That's an ave $32,400 per family, or roughly do their annual disposable income. The lar volume is divided almost evenly tween the stockholder-owned firms the mutuals, but while there are some 141 mutuals (Prudential Insura Co. of America, Metropolitan Life In ance Co., etc.) the stockholder-ow part of the industry is highly fragmen there are at least 1,600 firms—40 Arizona alone. Many are scarcely m than mom-and-pop operations and fe than 250 write annual premiums w $30 million or more. Their numbers geoned in the 1960s when top salesm particularly those working for the mutuals, quit to set up their own com nies. Entry was easy. All you needed $2 million or $3 million for capital u state requirements. In the then-buo stock market it was easy to raise mo by issuing stock. Now these entre neurs are reaching retirement age an willing to be bought out—at a price.

The attractions, if obscure to a man, are crystal clear to financial lysts. A life insurance company is es

f getting to the meeting takes longer than the meeting, there's no place like Hilton.

raveling is part of business. But traveling etween your hotel and your meetings oesn't have to be. Not if you're staying at a ilton. Because Hilton has a knack of being here your business is.

There's a Hilton to serve you in the down- own of most major cities. There are Hiltons the suburbs. And if your business keeps ou out by the airport, you'll appreciate the any Airport Hiltons.

Each conveniently located Hilton offers comfortable rooms, full meeting facilities and famous Hilton Rainbow Service.

So the next time you go on a business trip, remember there are more than 174 Hiltons in the country to help you take care of business.

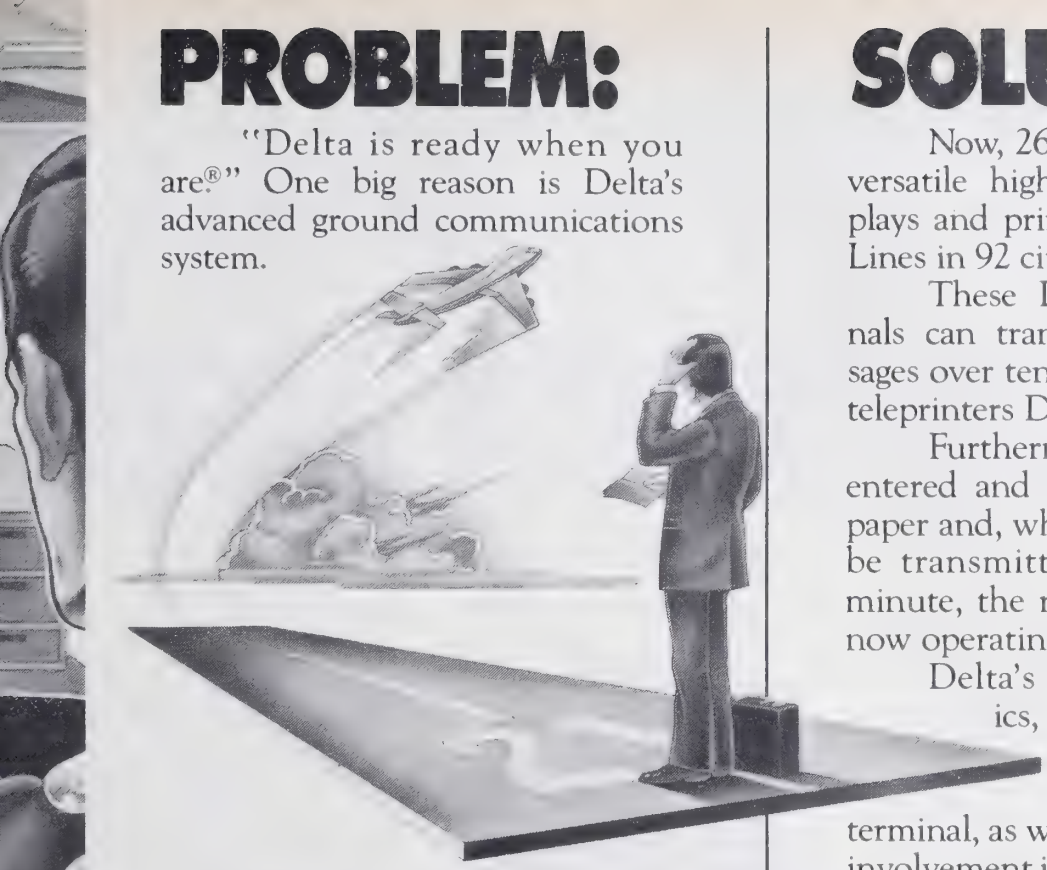
For reservations and information, call your travel agent or your local Hilton Reservation Service.

There's no place like HILTON.

WE HELPED DELTA BREAK THEIR 100 WPM GROUND SPEED BARRIER.

PROBLEM:

"Delta is ready when you are.®" One big reason is Delta's advanced ground communications system.



Arriving data was sometimes received too late.

All Delta's administrative communications are handled by a message switching system. For years, this system depended on punched-tape 100-word-a-minute teleprinters. But increasing traffic, busier holidays, and the need for faster weather reporting began to put a strain on the existing system.

Information about arriving flights has to reach the airport before the plane arrives. And with their traffic increasing, Delta could foresee the need for a new ground communications system.

They called in the Bell System team of airline specialists headed by their Bell National Account Executive.

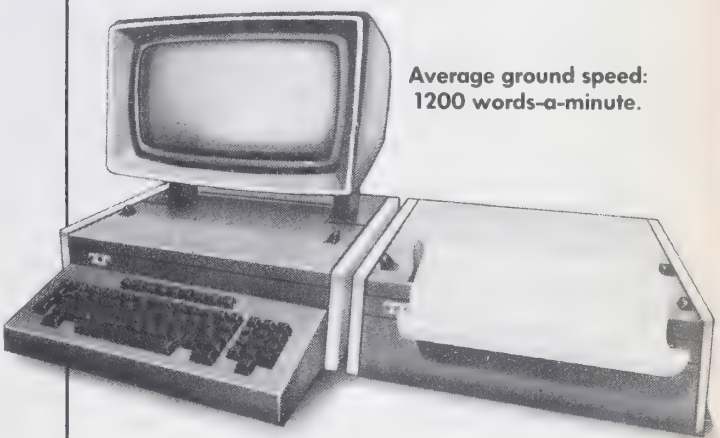
SOLUTION:

Now, 260 of the Bell System's versatile high-speed keyboard displays and printers serve Delta Air Lines in 92 cities.

These Dataspeed® 40 terminals can transmit and print messages over ten times faster than the teleprinters Delta was using.

Furthermore, messages can be entered and edited without using paper and, when ready to send, can be transmitted at 1200 words a minute, the rate at which Delta is now operating.

Delta's dispatchers, mechanics, administrative personnel like the simplicity of the Dataspeed 40 terminal, as well as Bell's continued involvement in their total communications.



Average ground speed: 1200 words-a-minute.

Whatever your business, if you haven't talked systems with your problem-solving Bell Account Executive lately, you're missing something.

The system is the solution.

Bell System

tially a pool of money, belonging to the policyholders but in fact available for the benefit of whoever controls the company. This is not a matter of hanky-panky. It is perfectly legal. Life insurance companies have the great advantage of collecting current dollars to be paid back in greatly depreciated future dollars.

Life companies, most of which trade over-the-counter, no longer sell at the huge mutiples they commanded in the late Fifties and early Sixties, when 35 and more times earnings was common, which is precisely what makes them attractive to companies with takeover in their hearts. Typical P/E ratios around 7.

"Most life companies are candidates for takeover," says Joseph C. Noback, a consulting actuary with Milwaukee's Milliman & Robertson Inc., who advises a number of insurance companies. If there are plenty of sellers there are also plenty of buyers and almost as many reasons for buying. This industry is virtually recession proof—no cyclical downturn since 1960—and is benignly regulated. Most life companies have a huge positive cash flow: On average the industry takes in $2.75 in premiums for each $1 paid in benefits to policyholders. Life companies sit on a $350 billion pool (including health premiums) of investment funds that earn around 7%. The industry's cash flow is around $30 billion after paying death and other benefits, plus taxes and costs on a total income of nearly $98 billion. With $30 billion piling up each year, little wonder the industry is such a tempting acquisition target.

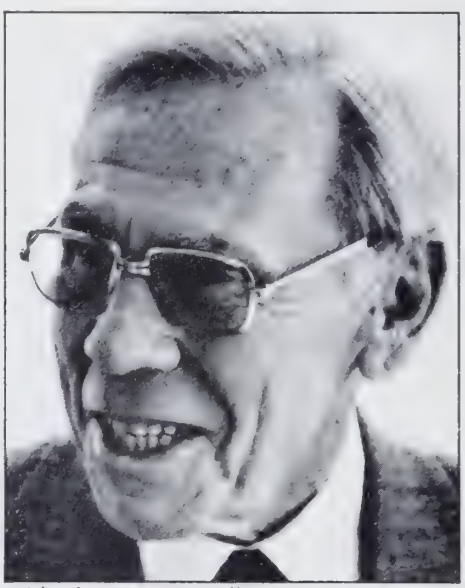
While the industry's growth rate is modest—roughly 3% compounded annually, adjusted for inflation—its earnings flow is consistent and highly predictable. There's no pollution, no energy problem and scant chance your product will become obsolete overnight. Figure it this way: The typical life company makes about 12% on equity after tax.

There are, however, other benefits to owning a life insurance company. By consolidating highly liquid balance sheets with your own, many noninsurance companies greatly improve their overall credit-worthiness.

There's a growing fear even among larger insurance companies that if they don't do some acquiring themselves, they will be acquired. For example, NLT Corp., with a $740 million market value, spent $280 million cash to buy Great Southern. "We had almost $1 billion in capital surplus that was a stone around our neck as far as any compound growth in earnings," explains NLT Chairman Russell L. Wagner, adding that NLT's return on its investment was below the industry average. Translation: If NLT couldn't make better use of its assets, then somebody else might. By investing part of the surplus in another insurance company instead of lending it out, NLT got a better return and simultaneously lessened the temptation its cash hoard offered to would-be acquisitors.

Acquisition is also a relatively inexpensive way for an insurance company to expand. As USLIFE's Chairman Gordon E. Crosby Jr. sees it, the cost of data processing systems plus training and keeping a professional sales force is fast rising beyond the resources of small and even medium-size insurance firms.

U.S. industrial companies are also entering the field again, just as they did in the 1960s when the vogue among conglomerates was to have a captive insurance firm. This time the pacesetter was Continental Group Inc. Its 1977 purchase of Richmond Corp. for $372 million was seen on Wall Street as a neat way to raise money for its diversification program. Since then others have followed suit, including Anderson, Clayton & Co., the food processor; Pullman Inc.,



NLT's Chairman Russell L. Wagner
Threading the labyrinth.

the railcarmaker; a slew of others, including Merrill Lynch & Co., Inc., and The E.F. Hutton Group; and, of course, American Brands. After all, selling life insurance is more socially acceptable today then selling tobacco.

For industrial companies in particular, there are alluring bookkeeping possibilities for managing earnings. "There's currently plenty of leeway in restating net assets as they move from one company to another," says actuary Samuel H. Turner of Tillinghast, Nelson & Warren Inc., the Atlanta, Ga.-based consultants.

Essentially three main areas are affected in the recasting of accounts. The investment portfolio can be changed from book to market value, which nowadays is usually lower. Then deferred acquisition costs—the price paid originally for putting business on the books—are written down to zero, apparently on the theory that they have no marketable value (actually they do). To offset these book losses, reserves set up years earlier policies in force, etc., are dramatic lowered. Most reserves were set figu 4% yield from the portfolio. That m sense in the 1950s and early 1960s. W today's sky-high interest rates, th portfolios yield 7% or more. So dow the reserves. Buried in all the paper th and dozens of other moves produce complex tax transactions that leave but the most skilled accountants baf and even have actuary Turner admitt "This is a never-never land."

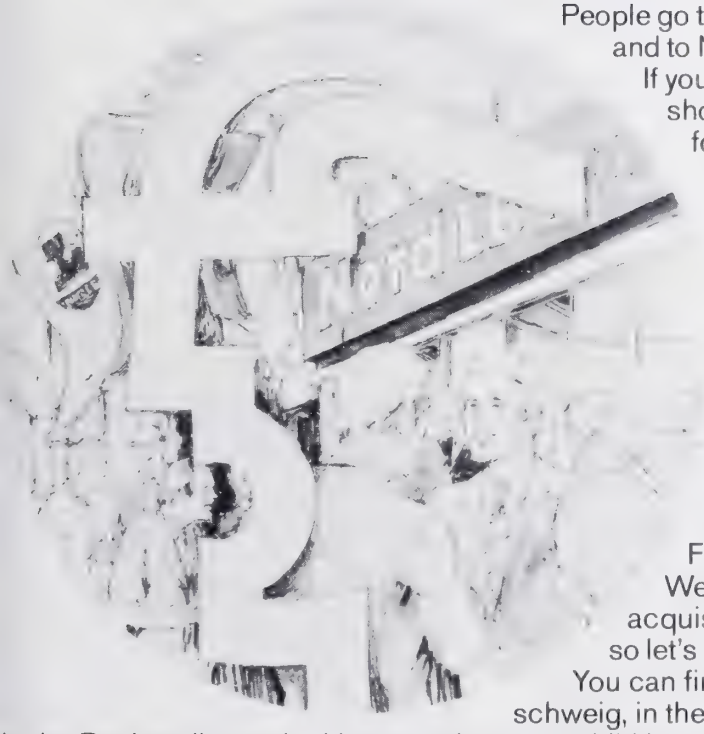
Smith Barney, Harris Upham & Inc. notes one company in 1976 that p $15.9 million cash for a company wh "adjusted" statutory equity more t doubled, to $20 million, just by g through the accounting process.

Explains Turner: "In the absence specific guidelines, you can reprog future earnings. You can take earni reported in the past and report th again in the future. Or you can take ea ings that will have been reported in future and bring them back into curr equity to avoid creating goodwill on y books." Confusing? Certainly. Yet all gal and seemingly blessed by the counting profession. Moves are af however, to bring out a set of guideli to limit some of the accounting artis now taking place. But don't hold y breath. When Continental made its c it paid roughly 1.1 times Richmor book value. By late 1978 most deals w closing at nearly twice book and t spring sellers are asking as much as times book. "Frankly, I think prices getting too high," a Wall Street de maker with a dozen acquisitions to credit told Forbes. Understandably, prefers not to be named.

Where will the boom end (as all boo do)? Probably when prices get so h that the deals no longer make sense. T "fair" price set by the dealmakers is u ally nothing more complex than price paid for the latest deal. Possib too, changes in the laws and regulati will one day shift the balance of adv tages back to the policyholders and aw from the stockholders. But for now, W Street is making hay. For handling NLT-Great Southern merger, for exa ple, Morgan Stanley & Co. Inc. and L man Bros. Kuhn Loeb Inc. collected $ million in fees plus out-of-pocket penses. Everybody, in short, gets m except the policyholder.

In a way it is all a sign of the times— unfortunate one. Businessmen are rel tant to invest in physical assets—pla and equipment. They prefer financial sets. So far as the economy is concern buying insurance companies is not p ductive investment but mere paper-sh fling. But the logic is compelling fr the individual buyer's point of view. Sa USLIFE's Crosby, "You are going to se lot more mergers ahead." ■

Bank Service International



People go to the Hannover Fair to do business across frontiers, and to Nord LB to transact international financial business. If you want to do business successfully in Germany, you should choose the Norddeutsche Landesbank (Nord LB for short) as your partner. For we offer you more than just financial strength and knowhow: we have the contacts with industry and government that you need – all over Germany and specially in Land Lower Saxony. So you too can benefit from our particular advantages of location, for Nord LB's home ground, Hannover, is also the home of the world's most important industrial trade fair.

The Hannover Fair offers an unrivalled entrée into German business circles – and Nord LB is delighted to effect the introductions. With us as partners you have an inside track of many profitable, forward-looking investment opportunities in the Federal German Republic.

We know the rewarding outlets for investment or acquisition finance. Our banking service is international – so let's work together!

You can find us in the city centres of Hannover and Braunschweig, in the service area at Hannover-Langenhagen airport, in the Bankenallee at the Hannover-Laatzen exhibition site, telephone 0511/89 76 48-49, and in the Niedersachsen-Pavillon at Stahlstraße/Mannheimer Straße, telephone 0511/89 26 81.

Norddeutsche Landesbank

Girozentrale
Hannover – Braunschweig

Georgsplatz 1
D-3000 Hannover 1
Tel. 0511/103-1
Telex 922 073

Nord LB-Zentrum
D-3300 Braunschweig
Tel. 0531/487-1
Telex 942 540

Norddeutsche Landesbank
International S.A.
29, Avenue Monterey
Luxembourg (0 0352) 47 23 911

Central Bank of the Lower Saxony savings banks

Meet the newest multinationals: U.S. insurance brokers, with Alexander & Alexander setting a torrid, $600-million-a-year pace.

The megabrokers

By Paul W. Sturm

BESIDES TODAY'S acquisition mania in life insurance, there is an equivalent urge to merge among the big firms that broker a wide range of insurance services for major corporations. Leading this growth parade is New York-based Alexander & Alexander Services. When it went public in 1969 with sales of just over $20 million, A&A was the third-largest broker in a sleepy, fragmented industry. Today, over 140 acquisitions later, it boasts annual revenues of $319 million and profits of $43 million. Net margins—now above 14%—have improved steadily, and A&A is second in size only to longtime leader Marsh & McLennan—expansion unmatched in the corporate world since the wild 1960s.

A&A, however, wasn't alone in its race to blanket the U.S. by buying up local insurance brokerage offices, and that trend has now led overseas. During the past nine months, four big U.S. brokers have announced plans to combine operations with major London-based firms. A close look at these new entities *(see table)* shows that A&A will score the top gains. When the projected pairings are completed, it and Mar soon to be roughly equal in size and itability—will emerge as $600-milli year megabrokers that dwarf com tors like Corroon & Black, Frank B. & Co., Fred S. James & Co. and priv owned Johnson & Higgins.

Why the flurry of transatlantic a ity? "We want a worldwide orga tion," says A&A President John B dus, 51, who just wrapped up a $30 lion merger in Kansas City. "All the houses waited until they reached a tain size before moving internationa

Something else, however, bette plains the timing: Domestic bro bread and butter is commercial pro and casualty business. The top six still place only about one-fourth o annual $40 billion in premiums, so th ample room to increase market sha home—as A&A's Missouri acquis proves. But a substantial chunk o business they bring in goes straig Lloyd's of London. That means hir U.K. broker who, of course, gets a sh the commission. And juicy commis they are. The wholesale nature of Ll brokerage yields operating margins haps half again as good as the 30% brokers already enjoy.

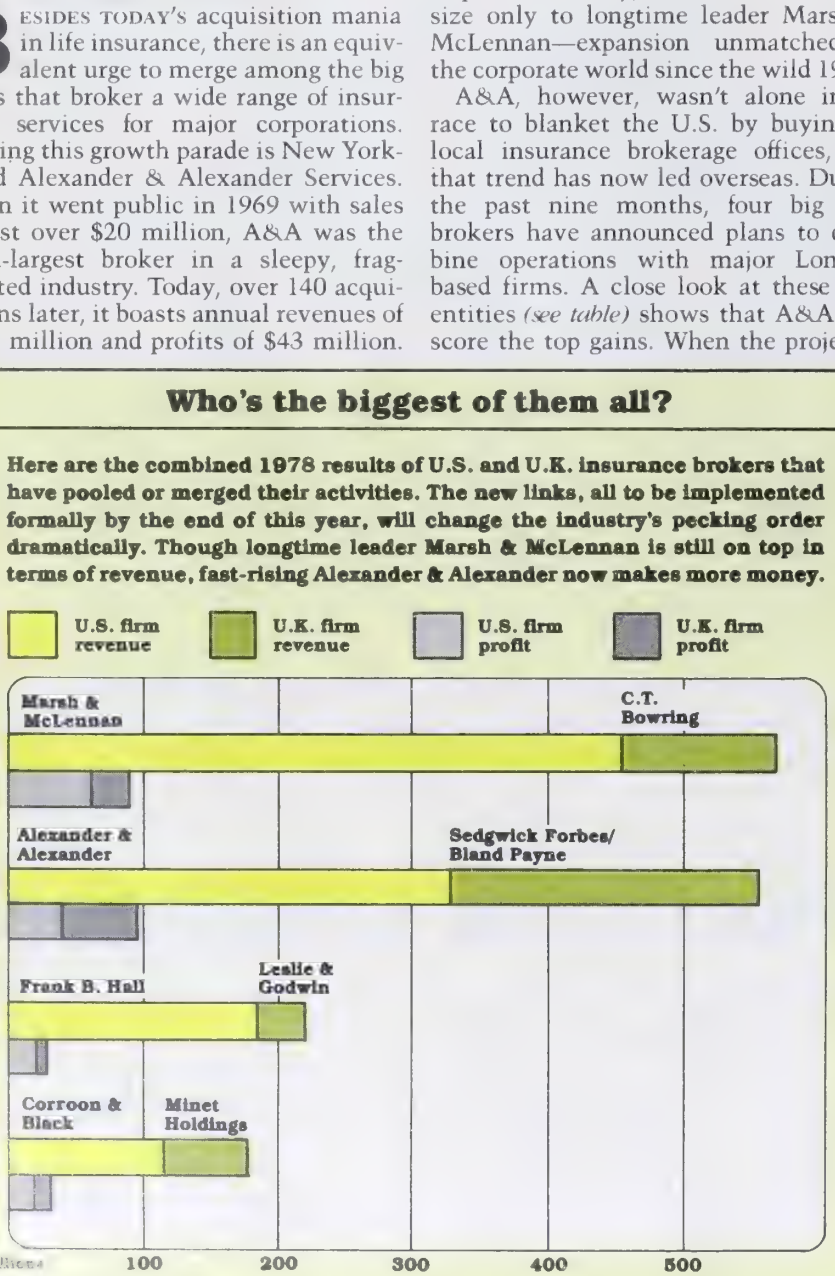
Lloyd's has always protected this itable coziness by limiting the parti tion of foreign brokers. But last sp when the idea for a competitive York insurance exchange was bu *(see* FORBES, *Mar. 19)*, Frank B. Hall permission to acquire Leslie & Godw lackluster U.K. house owned in pa the Rothschild family. Lloyd's leade sensitive to the response further pr tionism could provoke, opened the crack to Hall: Its $50 million pur was approved with only technical tions, and immediately other brokers rushed to wiggle in.

With its hefty chunk of major corp clients, Marsh & McLennan becam choicest would-be partner for any Ll member, and it signed on last fall C.T. Bowring, a diversified financia vices company and the largest U.K. i ance broker. Then came what prov be an opportunity for Alexander & ander. Two top-drawer U.K. brok Sedgwick Forbes and Bland Payne gan their own merger talks, thus pr ing A&A, which gets its mark strength from a broad base of M America clients, with a perfect fit a unusually strong international part soon announced plans to unite wit merged British companies.

Tight Lloyd's restrictions still mine the nature of these combina and both the A&A and Marsh deal be poolings of business instead of ou acquisitions. But the new operating ties should function effectively as after shareholders approve bina holding companies along the lines o

Who's the biggest of them all?

Here are the combined 1978 results of U.S. and U.K. insurance brokers that have pooled or merged their activities. The new links, all to be implemented formally by the end of this year, will change the industry's pecking order dramatically. Though longtime leader Marsh & McLennan is still on top in terms of revenue, fast-rising Alexander & Alexander now makes more money.



Source: Company reports and FORBES' estimates. Results based on insurance related operations only.

utch/Shell and Unilever.
'll try to structure the
g exactly like a true merg-
says Bogardus, who came
&A in 1950 straight out
inceton. "And, of course,
never we have business
lace in London, that's
e we'll go first." With a
on partner roughly
e as big as Marsh's *(see*
, A&A now matches its
in the race to be the
d's biggest insurance
er.

ch powerful new alli-
s are already affecting
flow of premiums on
d's crowded dealing
, where A&A's six-name
pine was immediately
ed "Alexander's Rag-
Bland." But the transat-
c links give U.S. firms
than just a crack at juicy
on business. "There'll
uch more insurance ex-
on in places like Asia
the Third World than there will
"·says James Stradtner, a partner at
more's Alex. Brown & Sons. "U.K.
s have contacts there that U.S.
ers don't."

ke most A&A executives, Bogardus
narketer at heart. He made his repu-

Alexander & Alexander President John Bogardus
The fastest growth in property insurance is via London.

tation by landing the Mobil account, and he views the future with a salesman's optimism. "We are going to grow regularly between 12% and 40% a year. Over the past couple of years, we've been at the top of that range. Now, coming into a down cycle, we'll be at the lower end."

During the relative slowdown in insurance premium growth that lies ahead, the fast-paced brokers can emphasize diversification. Already, A&A and other big insurance brokers earn significant profits from related activities like actuarial services and benefits consulting; and Marsh & McLennan's Putnam Group subsidiary brings in $24 million a year in securities management revenues—a figure that will soon expand with the acquisition of F. Eberstadt & Co. A&A, meanwhile, is carving out a niche by selling its expertise in property tax planning.

"A company growing as fast as we are simply can't slow down," concludes Bogardus. "We're moving toward being a full-service financial institution"—meaning, of course, that A&A will soon be up against giants like American Express, Citicorp and Merrill Lynch. Such aggressive outfits—not small-town mom-and-pop insurance agencies—will then be A&A's toughest competitors. Its new international connections make it that much readier to take them on. ■

"That's a Butler building?"

Yes, that is a Butler building.
In fact, you probably see beautiful Butler buildings all the time and don't know it.
Because Butler buildings offer total design flexibility and can be as tasteful and dramatic as any building.

Yet, they also give you all the important time and money savings of systems construction.
To learn more about energy-saving Butler buildings, call the local independent contractor who can build one for you. See "Butler Mfg. Co. Builder" in the White Pages. Or write Butler Mfg. Co., Dept. B-397, BMA Tower, Kansas City, Mo. 64141.

BUTLER

With typically Gallic realism, France is pushing solar energy with indirect subsidies and rather modest expectations.

Harnessing the sun

By Lawrence Minard

A LITTLE OVER A YEAR AGO, Henry Durand's life seemed secure. A Ph.D. in nuclear physics from the University of Paris. Another from Oxford. A distinguished research career, first at prestigious Saint-Gobain-Pont-à-Mousson (owner of CertainTeed) and more recently at the Netherlands' giant Philips, where he oversaw 500 researchers. A striking wife and young son.

Then the phone rang.

"It was Sunday," recalls the elegantly attired Durand, now 51, in his bright, tastefully modern Paris office. "Someone from the Elysée [France's White House] told me [President Valéry] Giscard d'Estaing wanted someone from private industry, me, to head the government's solar energy agency, Commissariat à l'Energie Solaire [COMES]. But this was before the elections, you see, and everyone was saying the Socialists and Communists would win. I was afraid I'd be out of a job before I'd begun."

Why chance it? On the other hand, how do you say "No" to le président de la république? He decided to hedge his bets. With a guaranteed lifetime professorship at the University of Paris to fall back upon, Durand gambled. Giscard d'Estaing won a close election and handed Durand a chance to cover himself with glory—as the architect of one of the world's greatest solar industry programs.

As president of COMES, Durand directly or indirectly controls most of the $70 million that French government agencies and petroleum and utilities companies spend annually for solar research and development. This sounds like little against the U.S.' $718-million-a-year solar budget, but Durand claims his country's effort produces more, dollar for dollar, because of France's long experience in the field and well-coordinated programs among different agencies. He expects France's sales of solar heating equipment to increase fivefold in the next six years, to $150 million annually, thanks largely to an ambitious new French government subsidy program.

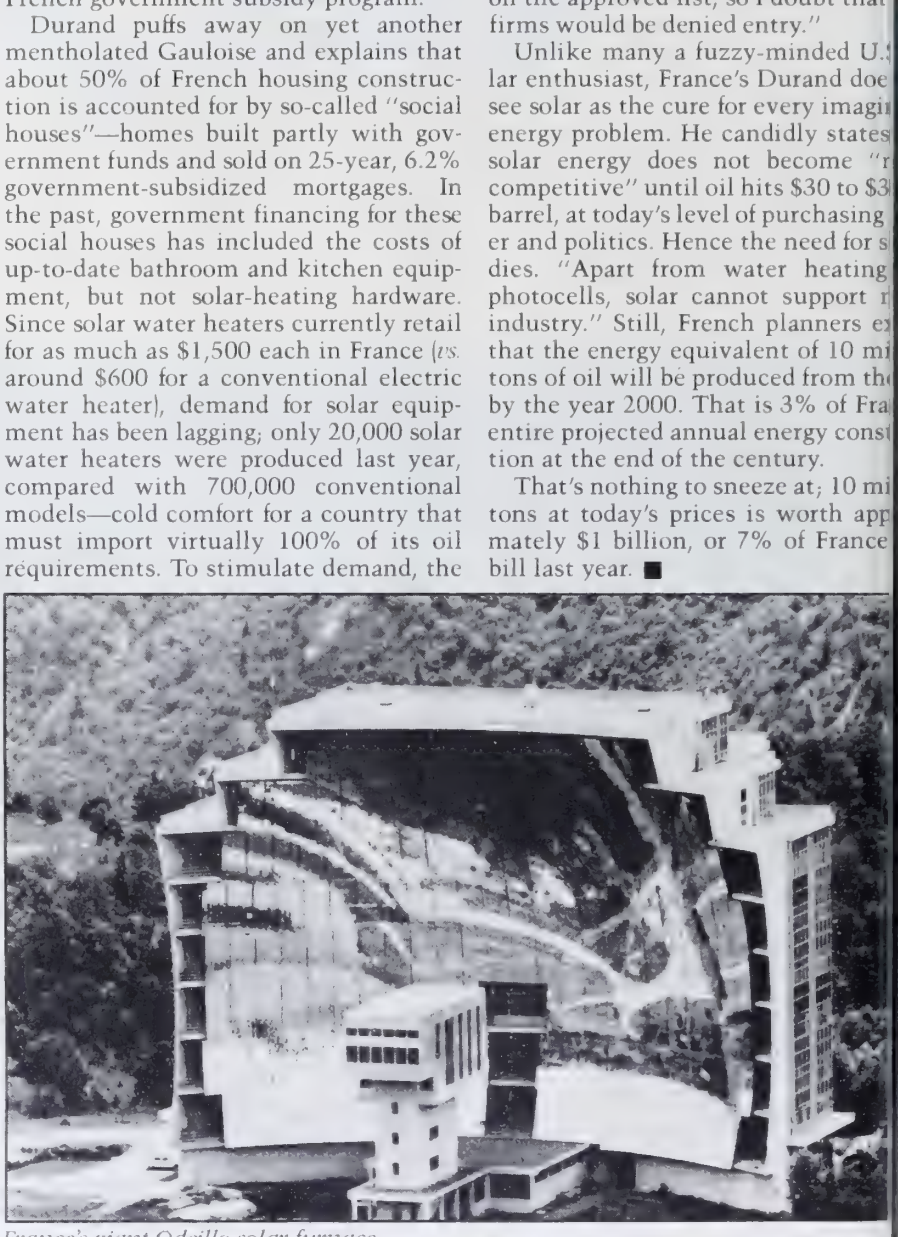
Durand puffs away on yet another mentholated Gauloise and explains that about 50% of French housing construction is accounted for by so-called "social houses"—homes built partly with government funds and sold on 25-year, 6.2% government-subsidized mortgages. In the past, government financing for these social houses has included the costs of up-to-date bathroom and kitchen equipment, but not solar-heating hardware. Since solar water heaters currently retail for as much as $1,500 each in France (*vs.* around $600 for a conventional electric water heater), demand for solar equipment has been lagging; only 20,000 solar water heaters were produced last year, compared with 700,000 conventional models—cold comfort for a country that must import virtually 100% of its oil requirements. To stimulate demand, the national assembly voted last Februa raise the social-house support ceili include solar heaters along with m bathrooms and kitchens—an ind means of subsidizing the industry.

"So, whereas our new houses have only with refrigerators and ranges," Durand, "we hope they will now with solar water heating and perhaps solar space heating." Durand adds th new legislation "amounts to an ind solar subsidy of about 50%"—so high the government expects solar he equipment installations to hit 50 units by 1985.

Will American solar equipment m be allowed to compete in what may amount to a $150-million-a-year ma Durand replies that none of the 28 m currently approved by the French go ment under the subsidy program is A can. Then he quickly continues: there are South African and Israeli on the approved list, so I doubt that firms would be denied entry."

Unlike many a fuzzy-minded U. lar enthusiast, France's Durand doe see solar as the cure for every imagi energy problem. He candidly states solar energy does not become "r competitive" until oil hits $30 to $3 barrel, at today's level of purchasing er and politics. Hence the need for s dies. "Apart from water heating photocells, solar cannot support industry." Still, French planners e that the energy equivalent of 10 mi tons of oil will be produced from th by the year 2000. That is 3% of Fra entire projected annual energy cons tion at the end of the century.

That's nothing to sneeze at; 10 mi tons at today's prices is worth app mately $1 billion, or 7% of France bill last year. ■



France's giant Odeillo solar furnace
Planners foresee miniversions in 500,000 French homes.

Securities Processing.

In 1970, Wells Fargo began clearing securities directly on both coasts.

For the first time, it was possible to trade at both ends of the continent through one bank, and stretch the trading day by six hours.

A lot of things have changed since 1970.

But none of the above.

Pioneering. Wells Fargo Bank.

Market analysts agree almost completely about some of the stocks below—and disagree wildly about the others.

Statistical Spotlight

"Sure things" versus dark horses

IN HORSE RACING it's the differences of opinion that make for big winners—or big losers. The same holds for the stock market. Stocks about whose future earnings Wall Street has the sharpest disagreement tend to be volatile, while the stocks about which institutional analysts and investors agree can be correspondingly tamer. The corollary to that proposition is that the best profit opportunities exist where uncertainty lurks. Will steel imports decline? Will copper prices remain high? Will the oil companies be able to pass on higher crude prices? Will turnaround candidates Schlitz, Occidental Petroleum and kins-Johnson actually turn around? analysts aren't sure. If you think *yo* you have a nice profit opportunity.

The amazing thing about the co sus list below is the almost loc agreement among market analysts some of the most complex Ame corporations in terms of their pr lines—companies like Transam General Electric, Eltra and Consoli Foods. Given these companies' div of product, all the consensus can m that the company has managed to lish a widespread certainty about ture earnings pattern. Food comp also seemed more predictable. Cl creating an image of orderly ea growth pays off in teaching the an to groupthink.

But if you are looking for excitin ratios and a chance for real gains, l the anticonsensus side.■

Consensus

There is little disagreement among analysts about the earnings prospects of the 30 companies below despite the fact that many have product lines that are as scrambled as eggs in an omelet.

Company	Recent price	Latest EPS*	Fiscal year ended	1979 IBES† estimates high	low	av	P/E based on 1979 av	Number of estimates	Variat in earr estima
Transway Intl	19.37	4.20A	Dec	4.50	4.40	4.47	4.34	3	1.2
Gannett	41.50	3.10A	Dec	3.60	3.50	3.55	11.69	11	1.2
Xomox	13.25	1.92	Mar	2.30	2.25	2.28	5.80	3	1.2
Wetterau	13.25	1.75	Mar	2.00	1.95	1.99	6.67	4	1.2
Shoney's	12.00	1.03A	Oct	1.25	1.21	1.24	9.66	7	1.2
Transamerica	16.37	3.15A	Dec	3.35	3.25	3.30	4.96	7	1.2
Provident Life	38.00	6.46A	Dec	7.50	7.25	7.41	5.13	6	1.2
Rollins	16.62	2.00A	June	2.40	2.30	2.35	7.07	7	1.2
Becton, Dickinson	31.37	2.78A	Sept	3.23	3.10	3.16	9.93	15	1.2
Brush Wellman	25.87	4.26A	Dec	4.50	4.40	4.44	5.83	3	1.2
General Electric	46.00	5.39A	Dec	5.95	5.70	5.81	7.92	18	1.2
Philadelphia Natl	27.25	5.75A	Dec	6.15	6.00	6.10	4.47	4	1.1
American Credit	43.87	4.36A	Dec	4.35	4.25	4.30	10.20	3	1.1
Eastmet	14.25	2.03A	June	2.50	2.45	2.48	5.74	3	1.1
Eltra	28.12	4.20A	Sept	4.75	4.60	4.66	6.04	7	1.1
First Natl Holding	12.50	2.30A	Dec	2.55	2.50	2.53	4.93	3	1.1
Purolator	25.25	3.26A	Dec	3.75	3.65	3.69	6.83	4	1.1
Emerson Electric	32.87	2.93A	Sept	3.30	3.20	3.24	10.14	15	1.(
Borden	25.12	4.38A	Dec	4.71	4.60	4.67	5.38	7	1.(
Monarch Capital	18.25	2.85A	Dec	2.85	2.80	2.82	6.48	3	1.(
HB Fuller	10.87	1.58A	Nov	1.75	1.72	1.74	6.25	3	1.(
Universal Foods	17.87	2.08A	Sept	2.40	2.35	2.38	7.53	5	0.9
Consolidated Foods	22.12	3.21A	June	3.65	3.55	3.60	6.15	8	0.8
Marion Labs	13.62	1.38A	June	1.55	1.53	1.55	8.81	6	0.9
Fidelity Union Life	26.75	3.89	Dec	4.30	4.28	4.29	6.23	3	0.7
Craig	10.75	2.23A	June	1.25	1.25	1.25	8.60	3	0.(
First Va Bankshares	6.37	1.10A	Dec	1.20	1.20	1.20	5.31	3	0.(
Lynch Comm Sys	17.50	1.10A	Dec	1.25	1.25	1.25	14.00	3	0.(
Oscar Mayer	21.12	1.79A	Oct	3.00	3.00	3.00	7.04	4	0.(
TeleSciences	16.37	1.35	Dec	1.75	1.75	1.75	9.36	3	0.(

*Actual or average estimate for the fiscal years ending 6/78 through 5/79. An "A" following the EPS indicates that it is actual; all others are averaged estim
†See source. ‡Percentage range around the average in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement ar
the analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones &

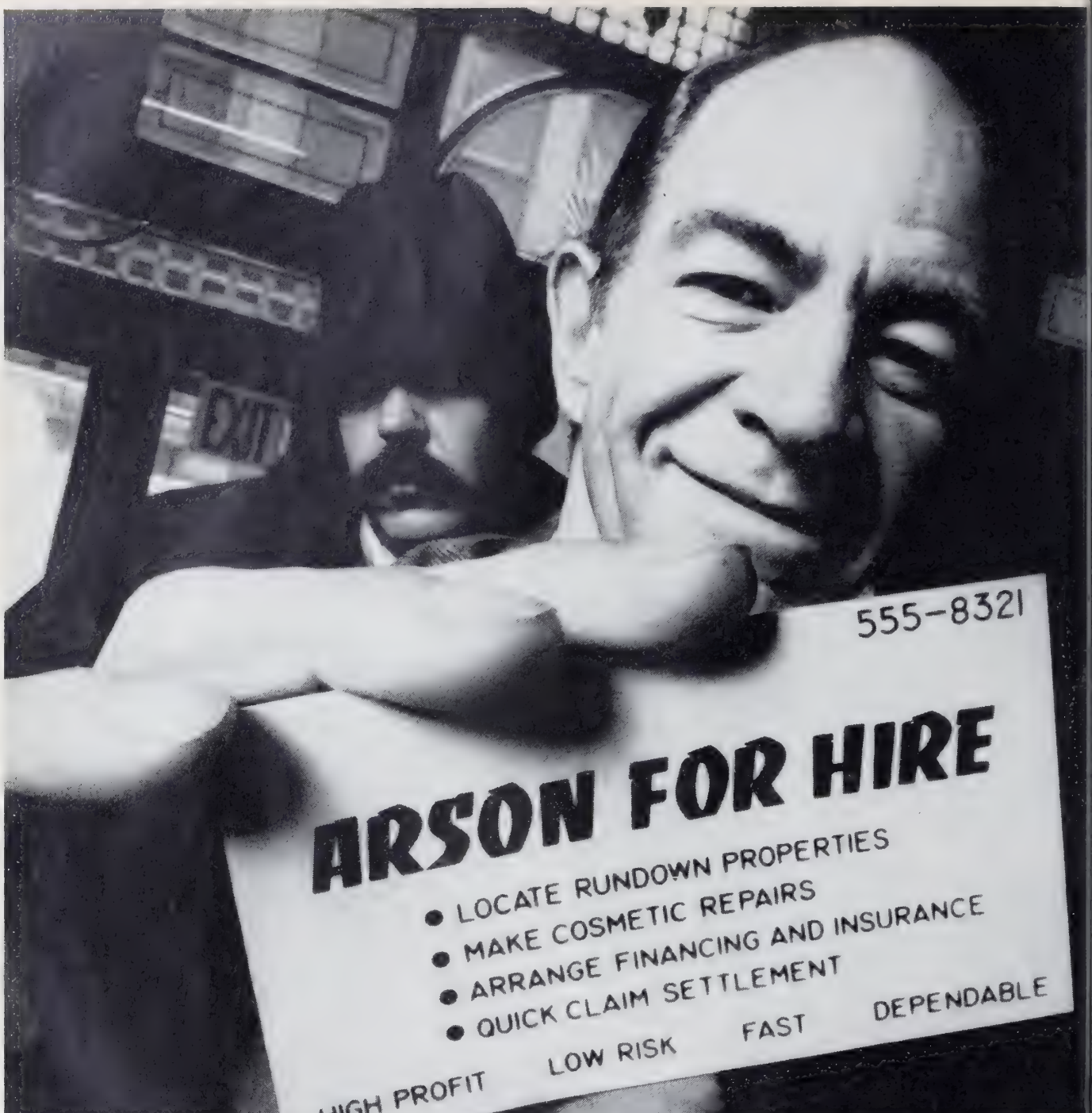
Anticonsensus

There are some wide swings in the earnings estimates presented below for the coming year. This reflects differences of opinion on the economy, the price of oil, airline deregulation and how quickly a troubled company can turn around.

Company	Recent price	Latest EPS*	Fiscal year ended	——1979 IBES†estimates—— high	low	av	P/E based on 1979 av	Number of estimates	Variation in earnings estimates‡
merican Motors	6.00	0.80A	Sept	2.00	0.10	0.91	6.56	7	73.69%
co	18.87	0.77A	Dec	1.75	0.10	0.88	21.50	9	55.01
iser Steel	23.62	1.75A	Dec	4.25	1.50	2.44	9.69	4	53.21
hite Motor	6.75	–0.06A	Dec	0.80	0.30	0.53	12.66	3	47.19
iroyal	6.75	0.04A	Dec	1.00	0.45	0.65	10.38	3	46.79
rnischfeger	12.87	2.01A	Oct	2.50	0.80	1.74	7.41	4	46.13
prus Mines	30.25	2.16	Dec	3.50	0.75	1.96	15.44	9	43.72
Johnson	6.50	0.53A	Dec	1.50	0.70	1.00	6.50	3	43.59
nnecott Copper	22.37	0.15A	Dec	3.00	0.75	1.77	12.65	16	43.38
mmonds Precision	15.00	1.22A	Dec	3.10	1.55	2.07	7.24	3	42.99
merican Quasar Pete	21.25	0.50	Dec	1.50	0.60	0.92	22.97	4	42.68
arco	17.87	1.69A	Dec	3.25	0.75	2.04	8.77	9	41.43
elps Dodge	26.50	1.16A	Dec	4.50	1.25	2.52	10.53	17	36.75
n Am**	5.87	1.52A	Dec	1.80	0.44	1.06	5.56	15	35.29
llingham	9.12	1.04A	Dec	2.00	1.00	1.34	6.78	4	33.34
Schlitz Brewing	10.00	0.41A	Dec	1.00	0.35	0.64	15.58	12	32.19
ewmont Mining	24.00	1.25A	Dec	4.00	1.00	2.70	8.89	15	31.96
perior Oil	326.50	13.09	Dec	36.00	12.00	26.09	12.51	8	31.63
ntinental Air Lines	8.12	3.29A	Dec	3.25	1.25	2.03	3.99	16	31.62
nited Stores	7.00	0.90A	July	1.25	0.65	1.02	6.89	3	31.62
tl Mine Service	12.62	0.77A	June	1.75	0.88	1.21	10.46	4	31.16
nith Radio	13.37	1.24A	Dec	2.25	0.75	1.58	8.49	11	30.60
erwin-Williams	21.25	0.76A	Dec	3.90	1.75	2.72	7.80	6	29.40
numental	28.50	3.46A	Dec	3.20	1.83	2.64	10.81	3	27.18
rian Assoc	15.87	1.58A	Sept	2.40	0.65	1.88	8.47	10	27.06
pata	13.12	0.59A	Sept	2.24	1.23	1.68	7.82	4	26.77
ay Research	23.00	0.65A	Dec	2.50	1.50	2.01	11.43	4	25.42
ne Container	28.25	1.50	Dec	2.70	1.50	2.07	13.61	4	24.38
ico**	8.37	1.74A	Dec	2.00	0.77	1.63	5.13	8	23.38
mtech Telecom	8.75	0.64A	July	1.30	0.80	0.97	8.97	4	23.12
lm	57.75	1.02A	June	2.85	1.30	2.40	24.06	7	22.98
tkins-Johnson	19.00	0.70A	Dec	2.50	1.50	2.02	9.41	5	22.86
herent	19.75	1.01A	Sept	2.20	1.20	1.62	12.19	5	22.74
stern Air Lines	7.25	2.91A	Dec	2.96	1.33	2.10	3.45	15	22.57
nerican Airlines**	11.12	4.00A	Dec	3.79	1.30	2.61	4.27	18	22.53
stern Air Lines**	7.87	2.18A	Dec	2.70	1.00	1.93	4.07	15	21.93
rchild Camera	28.87	4.48A	Dec	5.20	2.20	4.08	7.08	19	21.69
eport Minerals	35.87	1.80A	Dec	5.10	2.60	3.90	9.20	7	21.66
essie System	27.37	3.59A	Dec	7.00	2.87	5.21	5.26	11	21.30
virotech	18.12	2.00	Mar	3.60	1.80	2.63	6.89	8	21.06
bst Brewing	12.75	1.29A	Dec	1.70	0.80	1.26	10.08	10	20.75
st Mississippi	12.75	0.49A	June	1.00	0.60	0.82	15.45	4	20.70
mputer Automation	19.00	3.07A	June	3.50	2.14	2.64	7.19	7	20.51
m Brown	15.75	0.52	Mar	1.10	0.75	0.90	17.50	3	20.03
uthwest Forest**	15.12	2.59A	Dec	2.57	1.75	2.11	7.18	3	20.00
exander & Baldwin	16.75	1.92A	Dec	3.00	2.00	2.50	6.70	3	20.00
cidental Pete**	17.87	–0.39A	Dec	4.05	2.25	3.08	5.80	7	19.99
tascope	13.25	0.97A	June	1.25	0.90	1.02	13.03	3	19.88
ns World**	14.00	4.20A	Dec	5.45	2.70	3.76	3.73	15	19.64
yre**	11.00	2.42	Jan	3.10	2.10	2.57	4.29	3	19.55
ckwell Intl**	36.00	5.29A	Sept	7.00	4.00	5.45	6.61	5	19.48
tston	19.37	0.67A	Dec	3.50	1.75	2.46	7.86	14	19.42
olph Coors	13.00	1.56A	Dec	2.50	1.12	1.89	6.88	11	19.20
yes-Albion	17.87	2.52A	July	2.25	1.30	1.93	9.26	5	19.00
stern Pacific	39.75	–14.74A	Dec	7.95	5.42	6.72	5.91	3	18.84
rchants	15.75	3.53A	Dec	3.65	2.30	3.12	5.04	4	18.59
5 Home	9.00	2.72A	Dec	3.00	1.65	2.60	3.46	6	18.41
uston Oil & Minerals	16.62	2.16	Dec	2.72	1.70	2.17	7.67	9	18.32
Electric & Power	13.37	1.88A	Dec	3.90	2.10	2.30	5.82	17	18.15
tl Steel	31.25	5.85A	Dec	7.09	3.75	5.41	5.78	14	18.12

ual or average estimate for the fiscal years ending 6/78 through 5/79. An "A" following the EPS indicates that it is actual; all others are averaged estimates. source ‡Percentage range around the average in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among nalysts. **Fully diluted earnings per share.

Source: Institutional Brokers Estimate System, Lynch, Jones & Ryan



Does an organization like this exist in your city?

No? The people of Tampa, Florida thought "No" too. Yet a ring just like this flourished there for four years.

Until a crack arson strike force closed in and convicted 19 of its "employees." In two years, Tampa arson fires dropped

47%, which gives you some idea how much damage arson for profit can do.

Can you fight it as successfully as Tampa did? You can. Finally, the laws and tools are in place:

For the first time, arson is classified as a "Part I" crime by the FBI—on a level with murder and forcible rape.[1] (And about time—arson cost over a billion dollars and 700 lives in 1977!)[2]

For the first time, *local* prosecutors are working with federal officials, using mail-fraud and racketeering statutes to bring sophisticated law enforcement forces to bear on this crime.[3]

And Ætna, together with other insurance companies, is marshalling its resources: gathering information, planning anti-arson seminars, encouraging arson control programs and advocating tougher laws to increase the prosecution of arsonists.[4]

Arson is a crime we all have to pay for. Your help is needed to stop it. Don't underestimate your own influence. Use it, as we are trying to use ours.

Ætna wants insurance to be affordable.

[1] One result of this re-classiation—passed by Congress in ctober of last year—is that the BI will publish statistics on the cidence of arson in every major y. This means increased public rutiny—and public outrage—at e rate of arson in this country, and *that* is an important precondition for action!

[2] These shocking statistics are from a 1977 study by the National Fire Protection Association. Of course, arson-for-profit is only part of the problem. Vandalism, arson-for-revenge and arson to cover up *another* crime also contribute to this loss.

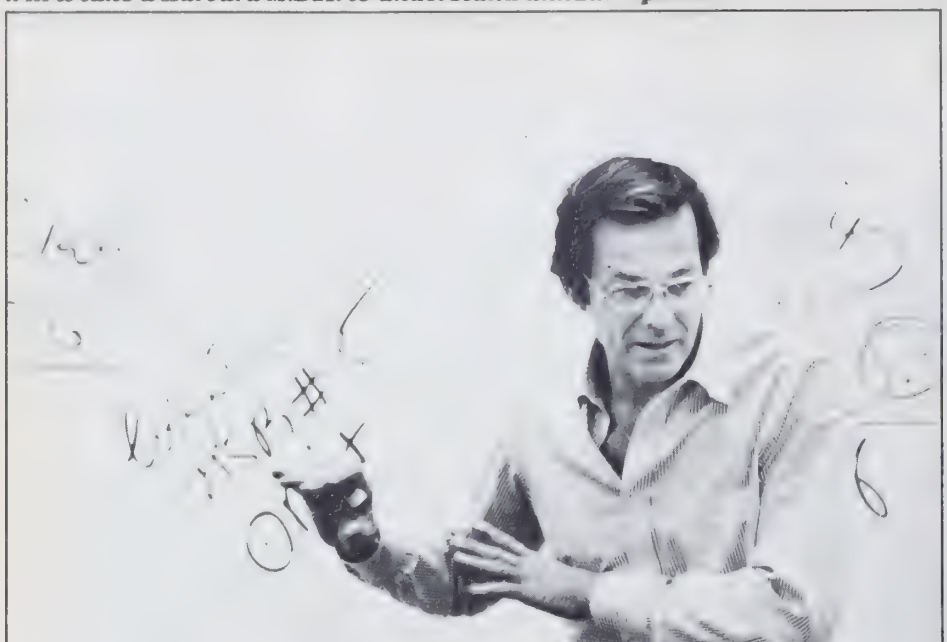
[3] A little-known federal law with the name of "RICO" (short for the "Racketeering Influenced and Corrupt Organizations Act of 1970") gives the justice system the tools to charge, indict and convict members of arson conspiracies like the Tampa-based organization.

[4] To coordinate industry efforts with government agencies and neighborhood groups, the Insurance All-Industry Committee for Arson Control was established in 1978.

Ætna
LIFE & CASUALTY

na Life & Casualty,
Farmington Avenue,
rtford, CT 06156

Professor David F. Hawkins
Will it take a Harvard M.B.A. to understand annual reports?



Chronic inflation has rendered corporate earnings figures almost meaningless, and experts' remedies may make things rougher.

Is the cure worse than the disease?

By Lawrence Minard

SUPPOSE YOU BOUGHT A HOUSE for $25,000 in 1955 and you rented it out in 1978 at a sum that cleared you $5,000 after expenses. What kind of a return are you getting on your investment—20%? Not so fast. There's another factor. That house could now be sold for $75,000, the cost to buy another one just like it. So, maybe your return is only 6.7%—$5,000 on $75,000.

Does it make any difference which figure you use? Maybe not with a house, where current return is relatively unimportant. But if you are running a business it makes a very big difference whether you figure your return is 20% or 6.7%. At 20% you'd be delighted to invest more money. At 6.7% you'd be better off with the interest on Treasury bills.

Which brings us to the subject of inflation accounting. Inflation accounting is a lot more complicated than our house-renting example, but the house will serve by way of illustration.

If you use the original cost of the house to figure your return you are using *historical-cost accounting.* That's what business uses today. It values your assets at what they originally cost, no matter how much more valuable they may have become after years of inflation.

We say it is much more complicated in business, partly because in our example we did not allow for depreciation. Suppose Internal Revenue agreed that two-thirds the value of your house was depreciable over 40 years. At that rate your depreciation would be $416 a year under historical-cost accounting. But u current-value accounting, depreci would be three times as great—$1, Now you have an even bigger gap tween the two ways of figuring you turn. Under historical-cost accoun your net return is $4,584—18.3%. U current-cost accounting your profit i duced to $3,750—5.0%. Quite a di ence! There are those who would a that the figures based on historic cos meaningless in a period of chronic i tion. So, you are kidding yourself if think you are earning 18.3% on investment in that house. You are r earning only 5.0%.

Most of the experts now agree publicly owned corporations should plement their historical-cost accoun with some inflation-adjusted accoun Trouble is, there are several ways t this. The official accounting rulema body, the Financial Accounting S dards Board, wants business to adopt rent-cost accounting. To put it sim the FASB would require you to rev your house to $75,000 (its current v and depreciate it accordingly.

Since 1975 the Securities & Exch Commission has required a more so ticated supplementary disclosure proach: replacement-cost accountin assumes that if you were to repla steel mill or a shoe factory, you w not simply duplicate the old one. would use different machinery, a d ent kind of building. The new fa would cost a lot more than the old tory, but it might also be more effic and so relatively less expensive in long run.

Complicated? It sure is. It leaves s observers—including us—wondering might not be better to leave well en alone and stick with the present, ad tedly inadequate methods of histor cost accounting.

To get an authoritative opinion went up to Cambridge, Mass. to i view David F. Hawkins, Harvard B ness School's bright, articulate prof of finance and accounting. Said H kins: "The SEC's concept assum company would replace with *better* a than the ones it has now, while the F assumes you'd replace, say, one ou date chemical plant with another ou date chemical plant.

"Apparently the FASB feels inve need to know the current value of a currently owned. See, what they're r doing is moving us through the door to an accounting concept diff from the one they've stated. The said they're using current-cost acc ing. But in fact they're moving u current-*value* accounting. In this att

THE TRUCK STOPS HERE

. . . and when it does, customers can be sure they're being charged uniform, equitable rates for the services they receive.

How do shippers know the rates are fair? Simple—the rates are public. That's right. Public. It's no secret.

There are, in fact, about 60 rate bureaus in the United States. It's their job to keep track of the rates on the hundreds of thousands of commodities traveling between some 125,000 points in this country. And to protect the motor carrier customers by preventing rates from being used unfairly to the benefit of some and the detriment of others.

If these bureaus were dismantled, a move favored by critics of a regulated trucking industry, confusion and rate abuse would certainly follow.

Rate bureaus are neither mysterious nor self-serving. Rates for regulated carriers are not arrived at in secret, in the back of some smoke-filled room. Hearings carried on by rate bureaus are open to the public, and the basic supporting documents and testimonies are available for public inspection. The member carriers do vote privately on each proposal. That way their views won't be held against them, inhibiting fair and impartial consideration.

And the rate bureaus aren't all-powerful, either. Every rate change recommended through the bureau system must be authorized by the Interstate Commerce Commission. The ICC does not authorize a change until the customers and the public have had an opportunity to object. When a rate is contested, the total burden of proof for the change falls upon the rate bureaus. If the bureaus can't satisfy the ICC, the change isn't authorized.

Let's look at some of these changes. In one bureau, for example—the Middle Atlantic—for the most recent period in which figures are available, *fully 87 percent* of all rate-change proposals submitted were *reductions*. Of those, 56 percent were reductions in truckload rates; 31 percent were reductions in less-than-truckload rates. The remaining 13 percent were primarily technical adjustments, most of which were *also* reductions.

Surprised? Wait . . . there's more. Collective rate making is *voluntary*. Carriers that feel they can justify different rates from those recommended by the rate bureaus and approved by the ICC are free to file separately with the ICC. And a bureau cannot protest this filing.

In the region covered by the Middle Atlantic Bureau, during the same period as above, there were 1,138 independent actions—almost half as many rate changes as were processed through the Bureau.

Instead of stifling competition and rate reductions, then, the collective rate-making structure actually encourages them. Of course, there are increases as well, enabling carriers to meet rising expenses.

But the important point is that the rate bureaus are working to protect the customer and the public. Without the bureaus, the freight transportation system would break down—fragmented into thousands of individual companies totally lacking in the coordination necessary for a healthy economy.

Rate bureaus are the cornerstone of today's trucking industry. Both Congress and the U.S. Supreme Court have recognized that fact, and it remains true today. For efficiency, stability, openness and equality of treatment—the rate bureau system is the answer.

American Trucking Associations, Inc.
Today's Trucking Industry...It Works for America

FORBES 5th ANNUAL ARABIC ISSUE

A VITAL COMMUNICATIONS BRIDGE BETWEEN AMERICA AND THE ARAB WORLD

Presenting an important opportunity to reach the Arab market—FORBES' 5th Annual Arabic Issue, to be published in September, 1979.

This special issue is printed entirely in Arabic and written to the specific interests of executives at the center of power and influence in the Middle East . . . those leaders of the Arab world who need and desire to know more about American business and how it operates.

The Arabic issue will be distributed to a carefully-researched list of over 20,000 businessmen, financiers, journalists, government and educational leaders throughout the Middle East.

It is an issue the Arab business community greatly anticipates as the single most important reference source on American business written in Arabic. As such, the issue becomes a powerful communications vehicle for your company's advertising message.

Plan now to advertise in the Annual Arabic issue of FORBES, your most important advertising opportunity to reach the influentials in the Arabic-speaking world.

Our readers comment on last year's issue:

"The publication is of great value and is worthy of our appreciation, especially the section containing the Forbes Directory." (SHAIKH) SALEH MUHAMMED JAMAL, *Director, Chamber of Commerce, Saudi Arabia*

"We are most grateful for the Arabic issue which was very beneficial for us in several fields. We are fully confident this magazine will lead us to expand the volume of our busines activities in the future." G.A. GHANEM, *General Trade Representatives, Damascus, Syria*

"I thought the original idea of an Arabic issue was a great one, and it is apparent that every year the issue gets better." GERALD H. TRAUTMAN, *Chairman, The Greyhound Corporation*

"Our Middle East people have looked at the Arabic issue and rate this as 'carefully accurate and well done.' They particularly noted that your issue is quite unlike any Arab business journal of which they are aware." C.C. GARVIN, JR. *Chairman, Exxon Corporation*

Space Availabilities and Rates:

Back Cover	$4,08
Four-color page	$3,38
Two-color page	$2,74
Black and White page	$2,33
Two-thirds page or less	$1,75

Closing Dates:

All fractional units	May 1, 197
All full page advertisements	May 15, 197

Mechanical Requirements:

See page 13 of our latest Rate Card No. 58

For more information: contact your FORBES representative, or write to Stephen G. Nicoll, Director of Advertising, Forbes Magazine, 60 Fifth Avenue, New York, N.Y. 10011.

Forbes: Capitalist Tool

ve brought us to a replacement-cost
ept that makes no sense from an
tor's point of view."
why are the accountants doing
thing that makes little sense to in-
rs? Probably because current cost is
what easier to measure objectively;
makes C.P.A.s happy. And for most
manufacturing companies it will
to sharp increases in depreciation
es, thereby making net income a
r, if smaller, number. With any
soak-the-rich-corporations advo-
will start wondering if corporate
are too high, rather than too low.
the FASB's current-cost account-
sure to lead to confusion, too. The
, it seems, has become hooked on
otion that rising asset values mean
r income. The new draft says, in
, that if your house appreciates
during 10% general inflation, then
income has increased by 5%—even
don't sell the house and realize the
The FASB would not include the

***funny money, says Haw-
: "The FASB has intro-
ed the concept of a 'hold-
gain,' which says, for ex-
le, if your chemical plant
up by 20% and the CPI
up by 10%, then you dis-
e a holding gain of 10%."***

ng gain in net income, but it would
de it on the income statement.
vard's Hawkins believes that these
lized inflation gains are just funny
y: "The FASB has introduced the
pt of a 'holding gain,' which says,
ample, if your chemical plant goes
20% and the CPI goes up 10%,
ou disclose a holding gain of 10%.
s an awfully novel concept!"
ift for the good?
r the bad, in that these numbers
particularly helpful for investors
sted in investing in ongoing enti-
These 'gains' aren't cash. A com-
can't use them to pay dividends, or
debt, or reinvest. They are merely
ns of the accountant's mind."
vkins' recent research on 75 major
utions' securities analysis tech-
s (*Equity Valuation*, coauthored by
ins and Walter J. Campbell) has
nced him that the impact of infla-
n earnings is such a wild terrain
ven the professional stock pickers
given up trying to value stocks on
sis of earnings.
know that the market values equi-
n the basis of inflation adjustments
defy you to find a single 1976, 1977
'8 analyst's report that includes a
level or current-cost analysis. It's
d them. So to value equities
e turned away from earnings to

"Capon puddenge, posset, mead—and a lift to London, too. Now that's the Club to join!"

British Airways Club Class™ was created especially for our Britain-bound full-fare economy business travellers. If you're one such, posset and mead aren't all we offer to raise your spirits.

There's separate check-in and boarding, a tranquilizing prospect for you who turn irked and restive in queues—lines, that is. And of course, a separate cabin. (That pampered feeling is beginning to take hold, I trust?)

Exclusive Elizabethan Service™ with special Elizabethan cuisine (superb meals olde English style). Complimentary cocktails, wines, and beers. *And* free movies and stereo. Perhaps I should find an excuse for a business trip myself.

If you find all this strangely appealing—as more and more people seem to—do join the Club. Call your Travel Agent, Transportation Department, or British Airways. Tell them Robert Morley put your name up for membership.

British airways

We'll take more care of you to Britain, Europe, the World.

dividends—to *cash*, the one thing accountants can't screw up. True earnings? Who *knows* what the hell they are! And even so, cash-flow analysis these days takes a good deal of sophistication, plus intimate knowledge of the company."

We asked Hawkins for an example of how an unsophisticated investor might be misled by the FASB's new proposed rules. He pointed to the inflation-accounting income statement entry, "Inflation Gain (or Loss) on Net Monetary Items." The FASB instructs companies with an excess of monetary assets (example: cash on hand) over monetary liabilities (example: any debt) to reduce its net monetary assets by the general-price-level increase; conversely, companies gain from having more monetary liabilities than monetary assets. This seems to make sense: Assuming 10% inflation, a $100 bank account is worth only $90 at year-end, while a $100 debt requires only $90 in year-beginning dollars to be paid off at year-end. However, chronically debt-ridden public utilities, say, will look like heroes on their net monetary items. Hawkins worries that unsophisticated investors (and rate regulators) may get taken in by this kind of silly money:

"With huge debt—monetary liabilities—utilities will show huge monetary gains. But the utility can't pay that gain out in dividends. It can't pay down its debt. It can't buy new plant and equipment. So what does this number across from 'Inflation Gain on Net Monetary Items' *mean* to an investor? Very damn little, I'd say."

Conversely with banks: They are almost certain to report huge net monetary assets, and so huge "losses." But pity the investor who takes such losses as a signal to dump bank stocks:

"A sophisticated investor wouldn't necessarily dump bank stocks. Bankers aren't stupid. They know they'll lose purchasing power on the principal they have invested in a loan, but that's why interest rates are so high—to *recover* that lost purchasing power. So with higher interest rates, the bank will be getting more operating income—and that's *real cash* that they can do something with.

The FASB's proposed inflation-accounting rules will increase depreciation charges for most affected companies, and so reduce their net income figures. This squeeze worries Hawkins:

"The unsophisticated guy will look at the inflation-adjusted earnings number, which will probably be negative, and say, 'Oh, this is awful!' and be scared away. But the sophisticated guy will understand that the stock market values companies on a *relative* basis—as the negative numbers change, the stock moves up or down. . . . Also, the sophisticate will be able to discern the relative change in the company's dividend-paying ability from the changes in the earnings numbers. And remember, the FASB assumes old plant will be replaced with old plant. The sophisticated analyst will know goddamned well management will replace old with modern, and that the FASB's depreciation charge is a phony number."

As an example of the potential confusion to investors of the FASB's draft, consider Hawkins' estimates of U.S. Steel's 1979 inflation-adjusted earnings:

"U.S. Steel's 1979 earnings might look like this: On a historical-cost basis, at least $4 per share; on a price-level-adjusted basis, a $2.92 per-share loss, before monetary gains; and on a current-cost-adjusted basis, it could be something like a $2.51-per-share loss. But you know what my holding gain estimate for the company is? Between $500 million and $700 million—a minimum of $5.80 per share! And I estimate the monetary gain will be about $190 million ($2.21 per share). So when you include the monetary gain and the holding gain, that negative earnings number turns into a very positive number."

Remember doing our own income taxes? The tax rules are so complex today that even the financially sophisticated among us must fall back on tax accountants. Will this also happen to annual reports and other corporate information?

So what will U.S. Steel earn? Minus $2.92 a share? Plus $4 a share? Zero per share? Getting back to public utilities for a moment, can't you just imagine the fun that unsympathetic rate commissioners will have when the utilities complain their profits are too low?

Hawkins himself would have preferred an even more complicated accounting scheme than that proposed in the FASB's draft. His ideal solution would have used the SEC's replacement-cost method to calculate depreciation and cost-of-goods-sold, and price-level accounting for all other business costs and revenues. And Hawkins says he would have omitted holding gains and losses from assets.

Hawkins insists his two-approaches-in-one scheme would be superior, and makes a good case:

"If you use the SEC concept of current cost for your depreciation and cost-of-goods-sold numbers, then you are reflecting what management thinks they'd spend to replace their assets. Now *that* is cash that management probably won't disburse to shareholders as dividends. On the other hand, management has been creating purchasing power during the year. I'm trying to capture how well management has done in bringing *in* purchasing power during the year versus the *distribution* of purchasing power during the year. That purchasing power at end is probably the best indicat what the company will have availal pay out over the near future."

Hawkins claims he suggested hi proach to the FASB back in 1974, ously to no avail. "The FASB is tre a thin line between going toward complicated accounting concepts are correct in theory but difficult to in practice, and what it can get peo go along with. It feels that 80% t perfection is better than no perfecti all, and that you can get 80% of th by making it simpler for people."

Hawkins and most accounting ers believe that the FASB's draft w implemented more or less as pro the draft's chances are improving now because the board is assidu gathering businessmen's thought how to polish and best implemen draft. FASB study groups for such liarly affected industries as bankin petroleum have been created. And is inflation itself, making the histo cost numbers daily less meaningful

But, warns Hawkins: "The sop cates will take these newly publ numbers and manipulate them in phisticated analyses; the major in tional investors will get the advice and respond first. The unsophisti I'm afraid, will get left behind." For who believe the market is efficien that inflation-corrected financial ments won't mean anything an Hawkins has this pithy wisdom:

"It's not fully efficient. If you inside information you have an a tage, and there are two kinds of i information: the kind you go to ja and superior analysis, which give superior insight into the value of an ty. The upshot is that this new infl adjusted information will be very to investors who understand it, ca nipulate it and can relate it to e valuation. But that's a small popul of investors. Thus, this inflation-a ment information will just force investors to become even more r on the select few outstanding, c tent advisers than they already are.

Still, inflation is a fact of life an accountants are under pressure to nize it. But remember the days many of us did our own income The tax rules are so complex toda even the financially sophisticated a us must fall back on tax accountan the same thing going to happen to a reports and other corporate informa Will we all have to pay experts to pret them for us? That will be a sa for the individual investor and f called People's Capitalism.

Professor Hawkins agreed. His p crack to us was: "Don't you know FASB stands for? Financial Assuran Scholars and Bookkeepers." ■

"When I read Time, I'm thinking about the world. When I read Playboy, I'm thinking about me."

—John Springer, Architect

If you advertise to men, e implication in that state- ent is extremely significant.

Because it suggests that hn Springer, a young man ith a lust for the good things e offers and the means to get em, may be more receptive your advertising when he's ading PLAYBOY than he is hen he's reading Time. That 's more in the mood to spond to your advertising in AYBOY.

And if that's the case, it comes even more significant. ar more. Because in PLAYBOY, ou reach the same kind of en who read Time—men like hn Springer, who already rns close to $40,000 a year at s young age—only a lot more them. And in PLAYBOY, you ach them for a lot less than u do in Time. $22,500 less for four-color page.

Different functions. A different frame of mind.

John Springer had some other teresting things to say about read- g Time and reading PLAYBOY. We'd e to quote him verbatim:

"I read Time for an overview of e business and political scenes. me is like an office memo. It's for ick information. I read it mostly on anes. For a recap. Time is like a wspaper to me. If you miss it, at's it.

"When I read PLAYBOY, I'm in a tally different frame of mind. I'm on different thought wave. I'm in a ore relaxed atmosphere. I'm read- g it for my pleasure. PLAYBOY is ore about me. How I live, what I . There's more information in PLAYBOY. PLAYBOY is a resource for me. Also, PLAYBOY tends to stick around. I keep back issues and go back to them.

"The photographs, the articles, the ads, they all make up part of my experience in reading PLAYBOY. They're all more appropriate for the things that I do that are outside my business life. Cars, skiing, jogging, stereo systems. I do read about them in more detail in PLAYBOY."

Those are just one man's feelings about the different reasons he reads two magazines and the different functions each magazine fulfills for him.

Of course, we don't presume to draw any conclusions from them.

The same kind of men who read Time and Newsweek read Playboy. Only a lot more of them read Playboy.

But we do have some facts that may help you draw your own about where your advertising belongs.

Playboy men. One of the most powerful buying forces you can find in any one place at any one time anywhere.

More than 14 million men read PLAYBOY every month. They buy 4 of every 10 pieces of stereo equipment men buy, 1 of every 3 imported cars men buy, 3 of every 10 bottles of scotch, gin, vodka, rum and wine men buy, 1 of every 3 expensive cameras men buy, $34 billion worth of life insurance last year alone. More PLAYBOY men own stock than Time men. PLAYBOY men buy more new cars than Newsweek men, more skis than Sports Illustrated men.

It's that way in virtually every product category and compared to every newsweekly, sportsweekly or men's magazine.

PLAYBOY is the perfect editorial setting for selling.

Which brings us to our own conclusion.

In PLAYBOY, you can reach a lot more of the same kind of men you reach in Time, for a lot less money.

And sell them a lot more.

The Playboy reader. His lust is for life.

Source: Playboy, based on TGI, Spring 1978. Latest announced four-color page rates as of October 19, 1978. PLAYBOY is a mark of Playboy, Reg. U.S. Pat. Off. © 1978, Playboy.

ENERGY
ENERGY
ENERGY
ENERGY
ENERGY
ENERGY
ENERGY
ENERGY
ENERGY

Connecticut has it. Power to spare, now and for years to come.

Energy availability is a critical factor in any locational decision. And there's plenty of it in Connecticut. We haven't had an energy-related production curtailment or shut-down in more than 300 years. We intend to keep things that way.

After all, you can't make a profit if your lights go out.

To find out more about Connecticut's locational advantages, contact, in confidence, Commissioner Ed Stockton, Connecticut Department of Commerce, Suite 710, 210 Washington St., Hartford, CT 06106. Or call 203/566-5037.

CONNECTICUT *generates*

Al Rockwell's Grand Plan didn't entirely wo out at Rockwell International. But enough it did to create a first-rate company.

The best laid plans . . .

EVER SINCE he and his father merged their family-run, auto-based Rockwell-Standard Corp. in 1967 with North American Aviation, the prime contractor to the Apollo space program, Willard F. (Al) Rockwell Jr.'s object had been to repeat on a broader scale the kind of diversification by which he and his father had gradually enlarged Rockwell-Standard over the years.

The new diversification was intended eventually to include at least $1 billion in consumer products business. To that end Al Rockwell acquired Admiral Corp., with some $500 million primarily in refrigerator and TV sales, then another Rockwell company (Rockwell Manufacturing) with its $100-million-plus (sales) line of power tools, then ventured into the wild market for consumer semiconductor products like calculators. "We had bitten off quite a bit relative to our management depth and financial resources," says Robert Anderson, now 58, whom Al Rockwell had hired away from Chrysler in 1968 and then made president in 1970 and CEO in 1974.

Willard F. Rockwell Jr
Things are in good hands.

Just how big a bite first became apparent when Texas Instruments and the Japanese (plus the 1974-75 recession) hung Rockwell International out to dry in calculators. Then Zenith, RCA and the Japanese repeated the process in television (FORBES, *Dec. 11, 1978*). The Admiral Group lost $9.4 million in fiscal 1974 and about $20 million each year thereafter. Power tools made some money and refrigerators a little, but nowhere near enough to make up for the doubling of long-term debt and the tripling of interest costs. "People kept asking if we were in trouble," recalls Anderson.

The company was never anywhere near that. It always had cash in th and even in its worst year, fiscal 19 made 9.5% on equity—no triumph, sure, but certainly no disaster eithe the venture into consumer goods been a virtually unmitigated disast

Last September the board agreed t down Admiral's U.S. TV business ar the rest of the subsidiary. Of its consumer goods business, only p tools, now over $200 lion, would remain. A Rockwell would step from the chairmansh February 1979, at the of his 65th year, inst in 1980 at the end of it had planned.

"We have not co ourselves with glo the consumer bus es," reflects Anderso wasn't the marketing can hire marketing b We were just never s participants in the kets we got into—a course, we ran into Inc. How many o technologically sophisticated cons producers ever started with 3% to the market and built themselves significant factors? We agree with ton Consulting Group on this one have to be number one or number t or at least a real strong number thre we never were."

But if Al Rockwell's venture int sumer goods didn't work out, the r his diversification program did. I fiscal year that ended Sept. 30 o year, the company did nearly $6 b in revenues and earned close to 16 stockholders' equity before writ Bob Anderson ticks off the four re ing legs of the company's diversific "Aerospace; automotive, which third of our profit last year; electr which is our fastest-growing bus 15% to 20% a year; and general ind

What's worrying everyone about retirement systems?

J&H invites you to review a landmark study of pensions by Louis Harris & Associates.

The things employees and business leaders the Harris organization during its study *merican Attitudes Toward Pensions and irement* challenge many current assumptions. Johnson & Higgins commissioned the study et a sharper focus on public issues involved in very complex subject. Harris polled 1,699 ent and retired employees and a cross section xecutives at 212 companies. The data reveal:

- Why business and government can expect heavy pressure for higher benefits.
- Why more employees than estimated want to work beyond normal retirement.
- What employees say is more important than guaranteed benefits, vesting or portability.
- What vital advice retired employees would give to those currently employed.
- How business leaders really feel about the unfunded pension liability problem.
- How employees and business leaders assess private plans versus Social Security.

There is a wealth of information for business ers, Washington policymakers, and others in study of American retirement systems. You invited to review a summary.

y call 212-482-6062. Or write (on your organization's letterhead) nson & Higgins, Dept. KK, 95 Wall Street, New York, N.Y. 10005.

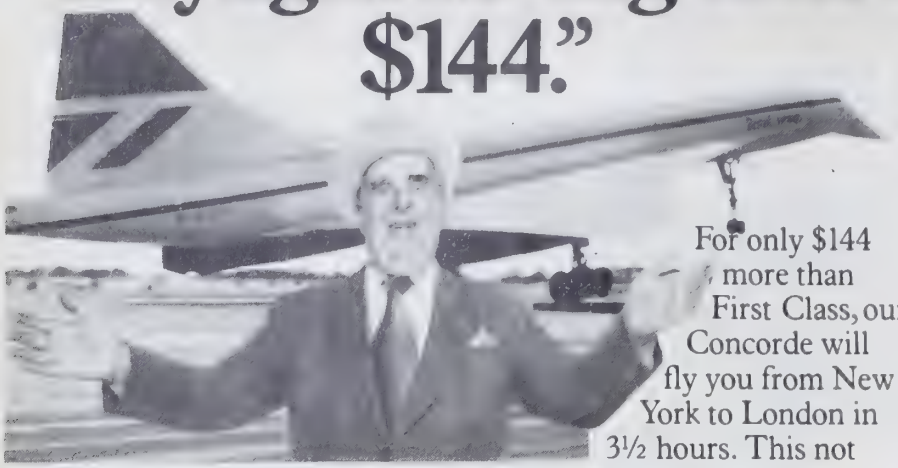
ohnson&Higgins

ıe private insurance broker/benefit consultant
We answer only to you

Discussing the pension survey findings at Louis Harris & Associates: Kenneth K. Keene, Johnson & Higgins Senior Vice President and Chief Actuary, Louis Harris and Arthur J. Gribbin, Jr., J&H Vice-President, Employee Benefits.

EMPLOYEE BENEFIT AND ACTUARIAL CONSULTING; RISK AND INSURANCE MANAGEMENT SERVICES THROUGHOUT THE WORLD.

"Daylight saving time: $144."



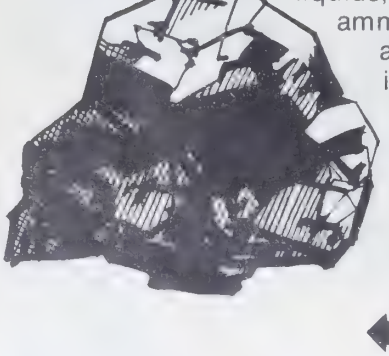
For only $144 more than First Class, our Concorde will fly you from New York to London in 3½ hours. This not only saves you half the flying time, it really saves the day. You arrive feeling so rested and relaxed, you don't need a night—or a day—of catch-up time to get back into top form. Concorde has 12 flights a week from New York to London, 3 from Washington. It also flies from Dallas/Ft. Worth to London via Washington, and from London to Singapore via Bahrain. Call your Travel Agent, Transportation Department, or British Airways—tell them Robert Morley says you won't find a better way to buy time.

British airways

We'll take more care of you to Britain, Europe, the World.

MAPCO IS COAL, BUT...

Coal is only a part of the MAPCO picture. This integrated energy company also produces and markets oil, gas and gas liquids, operates LPG and anhydrous ammonia pipelines, and produces and sells liquid fertilizer, sonic instrumentation devices, filtration equipment and other water pollution control products. For a closer look at MAPCO's diversification and profitable growth, write for our current report.



mapco INC.

Dept. P, 1800 S. Baltimore Ave
Tulsa, Oklahoma 74119
SYMBOL MDA • NYSE
MWSE • PSE

al products like textile machinery, p
ing presses—the presses are in the
dle of a boom, by the way—energy-
ed equipment and so forth."

Without Admiral's losses, oper
earnings were up 36.4% in the fiscal
quarter. A full year like that woul
earnings over $7 a share. A rece
could chop that, one analyst think
perhaps $5.90—but that still beats
year's $5.45, fully diluted. The debt
is dropping. And while the comp
aerospace business has a flat futu
best, even with Rockwell the prime
tractor on the space shuttle, the
businesses are doing well with dive
cation in place. Anderson's empha
on fleshing out the existing busines
a company that promises to kee
present look for a long time to com

But weep not for the departed. "I'
my way from Miami to Oklah
City," Al Rockwell said recently by
phone on a flight somewhere over
bama, "so I can be drummed int
National Cowboy Hall of Fame. (
than that, I'm learning how to loaf.

Loaf? we inquired.

***"We have not covered
selves with glory in the
sumer business. Now we a
with Boston Consul
Group: You have to be nun
one or number two—or
least a real strong nun
three. But we never were."***

"Well, there are a couple of thi
can't talk about yet, and there's a l
well board meeting on Thursday, th
interview for German television,
back to the island for the weekend,
a Conference Board meeting—I
trustee—next week and the Lone
Industries board meets *that* Thursda
the Mellon Bank N.A. board the fo
ing Monday and. . . ."

If those should pall, he is also o
boards of Kearney & Trecker and E
Co., and will probably go on the bo
Magic Chef, which is buying the
Admiral refrigerator business. The i
is Cat Cay, the Bahamas resort, wh
is a general partner in the owning g

About his only regret is that the
market doesn't value Rockwell In
tional stock at much more than six
last year's earnings. But then, the m
these days seems largely divorced
corporate reality, following its own
or lack thereof. In spite of that Al
well can take comfort from ov
190,010 shares (and voting almost
lion) in a company run by a top-
executive, a company that's tough-
ed enough to drop a good idea
doesn't work—even if the idea did
from the boss. ■

Newsweek
INTERNATIONAL

data
center

The Source.

Introducing the Newsweek International Data Center—an exclusive and comprehensive media/marketing research resource for international advertisers.

There's never been anything quite like it—a computerized repository for the diverse media/market data so valuable to multi-national business: statistical tracks on major product use, market composition and media habits of key consumers.

But now there is.

We at Newsweek International have gathered together the major media/market studies of Europe, Asia, the South Pacific and the Middle East.

With retrieval access to this data in New York and London, we can immediately turn your media/marketing queries into hard, useful facts.

And at no charge whatsoever.

Exclusive and Extensive Data

Much of this data is exclusive to Newsweek International, like the Asian Profiles study of 1976. For the first time, those of you who market in the eight major cities of Asia have access to a definitive study of the lifestyles and media habits of Asian executives.

There's more. We've included data from other, equally reliable sources:

The recently completed Pan European Survey, perhaps the first—and certainly the most comprehensive—study of European executives which sets aside the limitations of national boundaries.

The Australia-wide survey of readership of magazines, by the Roy Morgan Research Centre.

The McCann-Middle East media study ...the only definitive media research yet done in the Middle East.

All of this data is now available to you, without charge.

Telephone Link to the Data Center

You simply call your Newsweek International representative and pose your problem.

He then becomes the liaison between you and the Data Center. With startling immediacy, you'll have the information you requested on your desk, ready to feed into the decision-making process.

An Extraordinary Magazine Service

Only Newsweek International offers this unique service to the international marketing community.

As far as we know, there's nothing quite like it in all the world: a comprehensive media/market research bank open to international marketers without charge.

But then again, there's nothing quite like Newsweek International itself...a magazine of global scope and universal authority...received, read and responded to by nearly two million key international consumers each and every week.

And ready...with data and with prospects...to help you sell in any of these major world markets.

Martin F. Carey, your Newsweek International representative in New York. Call 212/350-2556.

SALES OFFICES: New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

Tenneco's drilling platform in the South Marsh Island area of the Gulf of Mexico, 60 miles off the coast of Louisiana.

Another Tenneco Venture:

South Marsh Island 61-C.

An important discovery in a series that has made us a leading producer of natural gas in the Gulf of Mexico.

Tenneco's giant drilling platform in the Gulf of Mexico, South Marsh Island 61-C, is our most prolific producer of natural gas yet. The 11 wells on the platform are expected to produce about 90 billion cubic feet of natural gas in their first year, more than is consumed annually by the city of Boston.

This discovery is significant because it typifies Tenneco's continued commitment in the Gulf. We obtained the rights to the principal lease involved after another firm had drilled a dry hole and abandoned it. Convinced that natural gas was there, we drilled and discovered large new reserves.

In the last 20 years, Tenneco has spent over $800 million just for the right to explore the 117 leases we currently hold in the Gulf of Mexico. And in each of the last two Gulf lease sales, we've won the most sought-after block.

Our commitment has paid off, for Tenneco has become the third largest producer of natural gas in the Gulf. Our total yearly production there—approximately 332 billion cubic feet—now exceeds the annual gas consumption of all of New England. We also produce more than 11 million barrels of oil in the area.

We're still increasing our commitment to the search for energy. In 1979 we will invest about $600 million in oil and natural gas exploration and production, most of it right here in the United States. This effort is important because, although America has enough natural gas to meet its immediate needs, over the long run the country must supplement its known reserves. Last year Americans consumed approximately 19 trillion cubic feet of natural gas while only 10-12 trillion cubic feet were discovered. To help keep supplies flowing through our 16,000 miles of pipeline, Tenneco is aggressively planning energy projects here, with neighboring nations, and around the world.

Although energy makes up two thirds of our business, Tenneco continues to supply other basic needs like food, automotive components, chemicals, ships, packaging, and farm and construction machinery.

That's Tenneco today: growing in energy...and more.

For more information on Tenneco, write Dept. D-1, Tenneco Inc., Houston TX 77001.

TENNECO OIL ⬭ TENNESSEE GAS TRANSMISSION ⬭ J I CASE ⬭ TENNECO AUTOMOTIVE ⬭
TENNECO CHEMICALS ⬭ NEWPORT NEWS SHIPBUILDING ⬭ PACKAGING CORP. OF AMERICA ⬭ TENNECO WEST

Tenneco

For the first time in years, some of the big common stock mutual funds have been attracting net new money.

A flicker of life?

By Richard Phalon

FOR YEARS NOW, the so-called growth mutual funds have been doing everything but growing. Their assets melted like a cake of ice in a tropical sun as the portfolio value of overpriced glamour issues plummeted and stockholders reacted in droves by cashing in their fund shares.

Even such big names as the T. Rowe Price Growth Stock Fund, which practically invented the growth stock concept, have been feeling the heat. On Wall Street, however, nothing is forever, even bear markets. The IBMs, Johnson & Johnsons, Avon Products and Polaroids that make up such a big chunk of the growth stock fund portfolios have been staging a modest comeback. The result is that Rowe Price Growth and a few other big old-line funds with the same investment objectives are showing a positive sales flow for the first time in ages.

For the $974.8 million Rowe Price open-end the turn came in the last quarter of 1978, when the fund took in $49.6 million in sales and paid out only $49 million in redemptions. "I think we'd been in redemptions since 1976," says Cornelius C. Bond Jr., president of the fund. The pattern is the same at the $748.7 million (assets) Chemical Fund, which drew $15.1 million in net sales during last year's fourth quarter. In the same quarter of 1977 it had net redemptions of $15.6 million.

The trend has spilled over into this year. The David L. Babson Investment Fund, Inc., for example, reported a positive cash flow in February, despite a weak stock market. Some of the earlier gains chalked up by the glamours were wiped out by the combined weight of rising inflation and the other scare headlines that have been dominating the news. But Alfred J. Hoffman, the ebullient president of Babson Investment, thinks there isn't enough evidence in yet to judge the staying power of his fund's turnaround. "We're in kind of a flip-flop period," he says. "It's still too soon to tell."

Cornelius C. Bond Jr. of T. Rowe Price
For the first time in ages, net sales.

Michael Lipper, head of Lipper Analytical Distributors, Inc., which monitors the industry's investment performance, makes the same point. The latest sales and redemptions figures, he says, "are interesting but by no means conclusive."

In short, the trend offers scant encouragement for those looking for portents that the individual investor is drifting back into the market. No matter how you parse the increased interest, most of it is apparently coming from institutional investors. Some of the best customers seem to be comparatively small ($1 million to $5 million) internally managed pension funds that want the diversification of an open-end portfolio and feel that growth stocks are once again a buy. "These guys," insists Neil Bond, "are saying, we didn't want growth stocks at 35 times earnings in 1972 but, hey, at 8.5 times earnings, they're a lot cheaper."

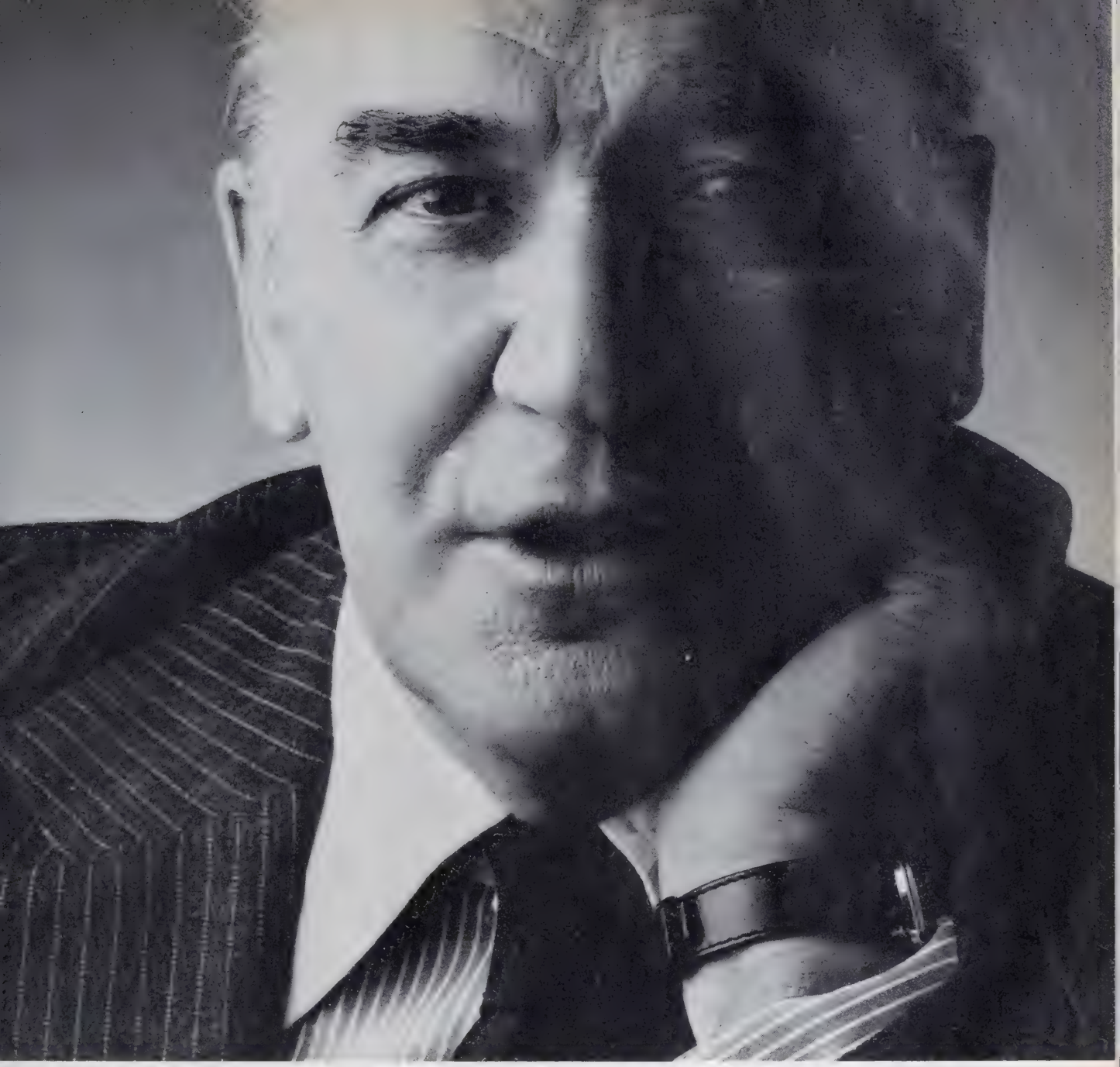
A look at the Rowe Price portfolio provides a startling insight into e how much cheaper. More than a t the fund's assets are locked int high quality items as IBM, 3M, Sc berger, Avon Products and Coca-C

Over the last five years, the pound average-annual-earnings-pe growth on those stocks has range where from 8.9% (Avon Produc 41.6% (Schlumberger). Last year on all 66 companies in the Rowe portfolio rose an average of about The market's response, of cours been pretty much a big ho-hum. absolute basis, says Neil Bond, the current average P/E, 8.5 times ea is "probably" the lowest in the fun year history. (In 1973 it stood at a ing 17.8 times earnings.) Other g stock fund portfolios might be a bi or a bit less venturesome than the Price list, but the numbers are much the same everywhere.

The funds have seized upon th gain-basement aura of the numbe major selling point, but it is questi how much of a pull that kind o chandising can exert on individual tors in a period when risk-free Tr notes are yielding close to 10%. tors burned in the growth stoc morseless descent from 1972 hav memories, and Alfred Hoffman c son Investment concedes as much

With so many disappointed inv on their shareholder lists, these will face tough slogging in attractir money from individual investors the market starts to rise again. Inst cutting their losses immediately investors elected to hang on to shares in the hope that one day might come back far enough to them to break even. Hoffman, lik ers in the industry, refers to this "break-even syndrome." In effect of stock has been hanging over the Even a modest gain in net asset va likely to trigger a flood of redemp Redemptions are still running at a paratively high rate, though at a ra appears to be tapering off, if the nu at Rowe Price, Chemical, Babso some of the other funds mean any

What comfort, then, can Wall draw from the modest improvem the sales of growth stock mutual Only that the low earning multipl now attract smaller institutional tors may yet draw the individual tor back into the stock market. But that is just a hope. All the signs a the individual investor, where he terested in the funds at all, is still p his money into high-yielding market funds whose net sales las multiplied 35 times, to $7 billion.



lliam Bray, managing director Europe, tells how A&A works from a client's point of view:

"We coordinate multinational risk planning so clients have uniformity without overspending."

"To put together a worldwide gram for multinationals, we st first understand their corpo- philosophy. Our international cialists and loss control people n visit all of the major client s, gathering data through vari- risk analysis techniques. After iewing and analyzing the data, put together the most imagina- program we can conceive— that matches our client's losophy and complies with ying local tariffs and legislation. properly coordinating and nning multinational programs, can help avoid errors, duplications and omissions—thus providing uniformity of worldwide coverage with maximum cost effectiveness. We have skilled multilingual personnel in 36 countries, assuring the same level of service around the globe that we provide in the United States."

Working from a client's point of view is our way. In London, where Bill Bray is based. And in over 110 cities here and overseas. That means working as allies, solving business problems together. Our international network does the painstaking field work that enables multinational clients to coordinate their far-flung risk management and benefits planning into a cohesive, more cost-efficient package.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

Faces Behind The Figures

Employee rights and civil wrongs

Last year Michigan passed a law granting employees the right to see their own personnel files. That may be only the first step in a larger, broader trend, says Alan F. Westin, editor of the *Civil Liberties Review* and faculty member at Columbia University School of Political Science.

Many companies, perhaps to stave off more such legislation, are already getting on the bandwagon. Nearly 120 corporate leaders were interested enough last year to attend a seminar on employee rights run by Westin and sponsored by the American Civil Liberties Union and New York University Law School. He plans a similar conference in June.

"Apart from the direct economic issues," says Westin, 49, a Harvard Law School graduate, "I think the most important issue in the corporate world of the 1980s will be employee rights. The sense today, especially among younger people, is that the corporation may have a right to your energy, your mind and your best effort. But it can't have control of your private life nor base promotion, hiring or pay on anything but job performance." A good many major companies seem to agree. Funding for Westin's conference this year will come from such organizations as the Aetna Foundation, AT&T, Exxon Corp. and IBM.

Byron C. Radaker of Congoleum
With the profits he's found in shipbuilding, there'll be no more baths at Bat

Waiver of the rules

For three years the world shipbuilding industry has been heading for a watery grave. In just the last 18 months, more than a dozen Japanese yards have closed, and governments in at least six other countries are starting or expanding subsidy programs to keep their struggling shipyards afloat.

Look at the performance of such yards as Congoleum Corp.'s Bath Iron Works in Bath, Me. Last year the 95-year-old Bath division netted $19 million on sales of about $211 million, after four barely break-even years. Escalation clauses in N contracts have helped avoid disast overruns like those of the early 1970s

Changes in the way the Navy bo the new FFG Class guided-missile ates helped, too. Instead of testing first completed ship from an orde several, the Navy ordered just one pr type, tested it, made modifications then ordered a production run. method will allow Bath to produc ships, all cookie-cutter copies of other, on something like an asse line, with subassemblies built in a p and then put together in the yard.

Byron C. Radaker, 45, Congole president and CEO, hasn't always such smooth sailing. He came to Co leum in 1975 after lasting just t months as CEO at CertainTeed Prod Corp. A scandal involving insiders ing with a company-owned land deve ment concern, he says, had nothing t with his leaving, which, he expl stemmed from a strategy decisio CertainTeed's French owners, St. bain Industries. They wanted to ste production of fiberglass strands use reinforcement, and he didn't.

Congoleum Chairman William D. Jr. hired Radaker and Eddy G. Nichol a 38-year-old onetime protégé of Atl businessman J.B. Fuqua, and let t fight it out for the top spot. "It was guys on a parallel path," recalls vi Radaker, reaching for an ever-pre pack of cigarettes, "and it worked just fine." Nicholson has since shunted to the position of vice chair

Since 1975, the boyish, round-face daker has liquidated 40% of Congole assets, mostly unprofitable furniture panies. Two years ago, he bought C

Employee rights champion Alan F. Westin
Getting employers to jump on the employees' bandwagon.

Breaking into world markets can be easy.

Breaking into world markets can be easier than you think. The problem has been trying to advertise effectively and efficiently in so many different and varied national media.

TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where the market is.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Faces
Behind The Figures

Noll, an auto-parts distributor that netted $11.6 million pretax on $124 million sales. And he used a $35 million windfall from a patent infringement suit against flooring competitor Armstrong Cork Co. to pay debt down to $16 million. Return on equity was nearly 25% last year, up from the five-year average of only 10%. Sales were up 48%, to $576 million, net income up 69%, to $42 million, $3.58 a share.

No business like railroads

"Something about this business gets into your blood and under your skin," says William M. Gibbons, trustee of the Chicago, Rock Island & Pacific Railroad. No question: He's been bitten by the railroad bug. Gibbons is 59 years old. As a partner in the Chicago law firm of Moses, Gibbons, Abramson and Fox, he handled bankruptcies for over 15 years, but never encountered the railroads, except to ride on one. Now his office is filled with Rock Island memorabilia—what wasn't sold at a recent auction to rail fans. A mother-of-pearl Rock Island wall clock chimes as it did 120 years ago; on his desk the replicas of bygone trains and miniature locomotives vie for space with merger testimonies and daily progress reports.

But the railroad continues its slide begun about a dozen years ago; the Rock Island is in admittedly terrible shape. Now in his sixth six-month extension granted to turn the railroad around, Gibbons will ask for yet another year and, on Apr. 4, for a court-appointed consultant to determine what track should be upgraded and what should be scrapped. His old Chicago law partner, U.S. District Court Judge Frank J. McGarr, who picked Gibbons to do battle with the Rock's problems, will accept the papers.

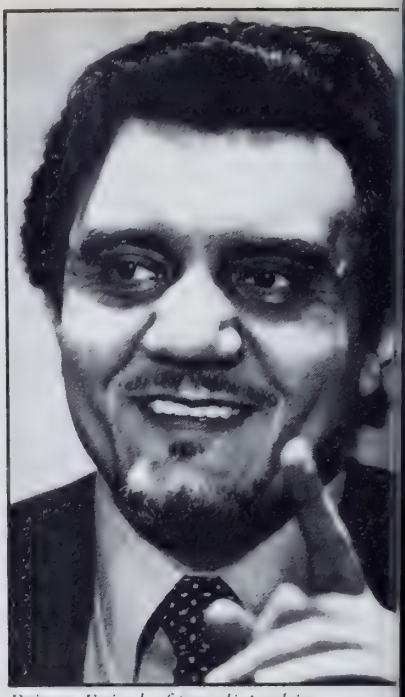
Gibbons has been greeted with two terrible winters. His push for FarmRail—a joint contract proposal between railroads carrying grain—stalled for lack of another railroad to join in a contract. And, of course, there's Henry Crown, major secured bondholder and former director of the Rock, whose family owns 18% of the St. Louis-San Francisco Railway Co. and 8% of the Rock's common stock. Crown wants the Rock Island liquidated to get some of his money back. Unlike Gibbons, the hardheaded Crown isn't interested in playing with trains.

William M. Gibbons of the busted Rock
He wants another try at life support before they pull the plug.

Disinterested

Prince Muhammad al-Faisal al-Saud of Saudi Arabia, 42, is either a visionary or a man with so much money he doesn't know what to do with it all. In 1976 he startled the world by proposing to solve Saudi Arabia's water problem with icebergs towed from Antarctica. His latest project is more down-to-earth: the Islamic Investment Co., a mutual fund for devout Muslims.

Since the Koran considers interest to be usury, IIC issues certificates of "participation and loan" for investments cleared by a religious advisory board (alcohol, pork or gambling is strictly forbid-



Prince Faisal of Saudi Arabia
Floating icebergs, nonfloating c

den) and collects "shares of the pr

The first participation certif sold in seven Arab countries in denominations, raised $7.5 m two-thirds of which the IIC has i ed in nondiscretionary commodi counts with Wall Street's E.F. Hut Co., Inc., Shearson Hayden Stone and ContiCommodity Services In commodity transactions are for (since margin transactions involve est) under what Conti Vice Pre Norton Waltuch calls "sophist agreements" with the Wall houses; these agreements provide "guaranteed rate [but] without int How's that again? Waltuch won't rate; nor will Hutton or Shearson den Stone. But in its first two m Prince Faisal says, IIC's profits ra annual rate of 11%.

Ultimately, Faisal expects IIC t about $50 million under manage mostly money that otherwise wo in noninterest-bearing demand de

And the icebergs? The Princ formed a French company to und studies. Getting the first iceberg t bia, he says, will require about $1 lion, a pittance out of Saudi Arabi nual oil revenues; so why not ju King Khaled, who happens to be uncle, or other royal relatives, money? Unfortunately, says the "they don't believe it."

The mayor's faulty me

One of the major side effects of the political and financial battles over land is a Justice Department prob possible antitrust violations b Cleveland Trust Co. But if the p

Own your own piece of the Rockies!

ven years ago the publishers of Forbes Magazine began ering for sale a portion of their 260-square-mile Trinchera nch in five acre minimum sections called Sangre de isto Ranches. Most of that land has been purchased to te. Sangre's success exceeds all expectations.

fteen miles northeast of that area, deep in the heart of rbes Trinchera country, is a spectacular alpine valley of surpassed beauty. This hidden mountain valley was once e hunting ground of Indians and later conquered by onquistadores. It remains today almost as it was when an first saw it.

e've named it Forbes Park.

nd now Forbes Inc., through its subsidiary Sangre de isto Ranches Inc., is inviting people who have a special preciation for the beauty of nature and who want more t of life, to acquire a homesite in this beautiful mountain lley.

tain the HUD property report from developer and read it fore signing anything. HUD neither approves the merits of e offering nor the value, if any, of the property.

Cash prices range from $3,500 to $12,000. Easy credit terms are available.

Forbes Park is a completely private area surrounded by the San Isabel National Forest and the rangelands of the Trinchera Ranch. It is accessible year-round through a main gate restricting entrance to owners and their guests. Hunting is not permitted here, but many sports including fishing, cross-country skiing, boating, swimming, horseback riding, tennis and mountain climbing will be available in the recreational areas of the vast common acreage.

Starting immediately, you may purchase one or more acres for a mountain homesite where you will share with your neighbors the exclusive use of over 5,000 acres of common lands, including ponds, streams, woods, meadows and other recreational areas set aside for the enjoyment of Forbes Park land owners for all time.

For complete information, including pictures, maps, and full details on our liberal money-back and exchange privileges, without obligation, please fill in the coupon or card and mail to: Forbes Park, Box 303, Fort Garland, Colorado 81133.

an offer or solicitation in those states where the property is not registered

AD15618(a) IL-78-205 MI-77-361 OAD-77 000337A

3879

FORBES PARK

Development of
Sangre de Cristo Ranches Inc.
Box 303, Fort Garland, Colorado 81133

An offering statement filed with the New Jersey Real Estate Commission neither approves the offering nor in any way passes upon the merits and value of the property. Obtain the New Jersey Public Report and Broker's Release from the registered New Jersey broker and read it before signing anything. NJA102777CO

Name _____

Address _____

City _____ **State** _____ **Zip** _____

Telephone _____

Preferences: ☐ **$3,500** ☐ **$5,000** ☐ **Higher**

A statement and offering statement has been filed with the Secretary of State of the State of New York. The filing does not constitute approval of the sale or lease or offer for sale or lease by the Secretary of State or that the Secretary of State has in any way passed upon the merits of such offering. A copy of the offering statement is available, upon request, from Sangre de Cristo Ranches Inc. NYA77-432

When Marriott does it, they do it ri

Your first five minutes at any Marriott will tell you one main reason why Marriott has the highest occupancy-rate in the hotel industry.

And over twice as many Mobil 4-star ratings as any other hotel company.

It's more than bricks or glass or carpeti Or beautiful pools or restaurants.

It's the pride, alert professionalism, an spirit of Marriott's staff.

It's the genuine warmth of your welc from the people who help you with your

The secret of Marriott's success is hospitality—cheerful, friendly, the way it ought to be.

ht from the moment you arrive.

ge. The attentiveness of the desk clerk
checks you in.
's waiters and waitresses who smile.
he tremendous trifle of a "Hi!" from a
ng bellman in a hall.
Jext trip, let Marriott do it right for you.

To reserve a room call a professional,
your travel agent. Or toll free* 800-228-9290.

* Except Hawaii, Alaska

Marriott Hotels

Acapulco, Amsterdam, Atlanta, Austin, Baltimore, Barbados, Berkeley, Blacksburg, Boston, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Detroit, Ft. Wayne, Houston, Indianapolis, Kansas City, Key West, Lake of the Ozarks, Lincolnshire, Ill., Los Angeles, Louisville, Marina del Rey, Miami, Milwaukee, Minneapolis, New Orleans, Newport Beach, New York, Orlando, Philadelphia, Pittsburgh, Providence, Rancho Mirage, Rochester, Saddle Brook, N.J., St. Louis, Santa Barbara, Santa Clara, Scottsdale, Somerset, N.J., Springfield, Mass., Stamford, Ct., Syracuse, Tucson, Washington D.C.

Faces
Behind The Figures

based on charges made by Mayor Dennis Kucinich after a meeting with Cleveland Trust Chairman M. Brock Weir, the Feds had better take another look. Maurice Saltzman was there, and he says it wasn't anything like the way the mayor described it. So who is Saltzman?

The 60-year-old founder and chairman of Bobbie Brooks, the $165 million (sales) women's apparel manufacturer, was a strong financial supporter of the boy mayor. In earlier days, Kucinich used to caddy for Saltzman. It was Saltzman who arranged the meeting between Kucinich and Weir last December as the city was teetering on the brink of bankruptcy. At that session, Kucinich claims, Weir tried to hold Cleveland hostage by promising to roll over $5 million in city debt held by Cleveland Trust only if Kucinich sold the city's money-losing utility, Municipal Light, to privately owned Cleveland Electric Illuminating. Kucinich alleges that Cleveland Trust, because of close ties to CEI, would benefit from the distress sale.

But Saltzman denies the bankers ever made a take-it-or-leave-it offer. "Dennis didn't repeat what happened at that meeting correctly," he states. "Brock didn't tell him to sell Muny Light. *I* offered it as a possibility to keep the city solvent. Anyway, if the bankers were out to destroy Cleveland, they would have called in the notes and asked for their money back. But they haven't, because they are concerned about the city."

Maurice Saltzman of Bobbie Brooks
Mr. Inbetween heard it differently.

For Saltzman, one of the few businessmen among Kucinich's allies, that's quite an admission. "Businessmen *need* a strong Cleveland in which to operate," he says. "Dennis has got to realize that you can't run a city without assistance from the business community. Until he realizes that—until he grows up—he won't be able to accomplish things here."

Kucinich thinks he scored big a few weeks ago when the city's voters turned down a referendum to sell Muny Light, and instead voted to increase the city income tax from 1% to 1.5%. But that adds only $25 million to the city's coffers, no more than a Band-Aid for Cleveland's deep financial wounds. The election did nothing to cure the city's long-term problems, says Saltzman.

But, he adds, the recent turmoil did resolve one dilemma: "The average guy doesn't care about all these financial problems, and he doesn't want to see all this strife within the city. That's why I think that Dennis Kucinich, politically, is doomed."

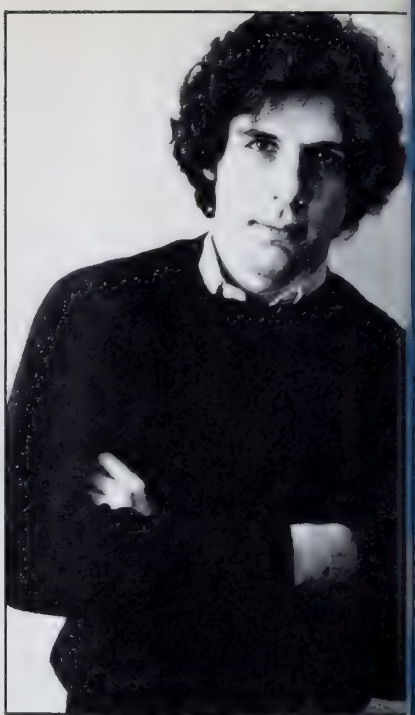
Keep on dancin'

If you are sick of disco, you'd better find a cure. Warner Bros. Records Inc. thinks it will be around for a long, long time. Almost to prove it, they've given a fast-talking 29-year-old high school dropout from Manhattan's Lower East Side a reported $7 million to build a roster of disco music performers.

To hear Ray F. Caviano talk, you'd figure maybe he was a hip marketing man from Procter & Gamble or est. His market is "a variable of owners, disco DJs, radio people." His objective is to develop "the imagery, the aura, the persona of the artist" for Warner/RFC Records, a new affiliate of Warner Bros. Records. He is president of RFC (his initials) and executive director of Warner's new disco department.

Disco is the biggest new development in the $4 billion phonograph record business. The music has been evolving in the last decade in urban America's black, Hispanic, homosexual and chic European dance halls. That's where disco jockeys have been creating their own dance music by using their record playing equipment to extend, superimpose, alter sound levels and otherwise excite a new generation of dancers.

Caviano has been in magazine and music promotion since his teens. He worked for *Rolling Stone* in its early days and was involved in the promotion of *Switched On Bach*, a novelty recording of J.S. Bach tunes played on a Moog electronic synthesizer. He brings to his new jobs a highly developed sense of what it



Ray F. Caviano of Warner/RFC
A new demimonde of fun and profi

takes to make and market enter ment products. He guesses that records now account for $500 milli the industry's total sales and that should at least triple before the b subsides. (The disco business alon cluding records, lighting and decor, an estimated $3 billion plus.)

The phenomenal success of both film and the soundtrack record of *day Night Fever* boosted disco's res ability, if for no other reason tha cause the actors and the musicians white and heterosexual: what the m industry calls a "crossover." The upb als of the 1960s are gone from the sciousness of the new generation according to Caviano, are "into up-po, happy, bright, escapist" dance m

Caviano best demonstrates the fra manipulative aspect of disco with a uct he turned out when he first g Warner Bros. last winter. Taking a track from a new Rod Stewart all Caviano remixed and extended it zingy 12-inch single that Stewart b recognized and, at first, resented. Bu record zoomed to the top of the p well as the disco charts. Disco p like Caviano, who can produce recor well as market them, can have an in nately strong grip on their eagerly sive customers.

Anybody who doubts that this e the music business will thrive sh listen to the words of one veteran r man: "They say it's just noise, you understand the lyrics, it's low class. sounds like your mother when rock roll began, but it's what the rock e lishment is still saying about disc you know it's here to stay—a while

Forbes

announces a special advertising section on

BUSINESS COMMUNICATIONS

to be published in the July 9, 1979 issue

Closing date: May 22, 1979

Prominent contributing authors will examine and discuss the three main factors involved in business communications:

Thomas E. Bolger
Executive Vice President, AT&T
"Person-to-Person"

James S. Campbell
President, Xerox Business Systems
"Machine-to-Machine"

Eugene F. Murphy
President, RCA Global Communications
"Continent-to-Continent"

For further information contact:

Duncan McMillan
Director,
Special Projects
FORBES Magazine
60 Fifth Avenue
New York, N.Y. 10011
(212) 620-2224

or your local Forbes representative.

One mind.

The thrift institution specialist and the corporate finance expert exchange ideas. They share perceptions with the commercial paper trader, with the bond trader. First Boston is a set of contiguous minds. Each expands another's view.

Exchange quickens insight.

Since 1934, First Boston has offered a comprehensive range of investment banking services, a diversity of minds in series. The greater the number of services, the greater the series of minds, the more valuable the insights, the greater each person's ability.

Creative exchange has enabled First Boston to develop new short-term notes, similar to commercial paper, for issue by thrift institutions. A financial manager now has the flexibility of access to the money market on either a secured or an unsecured basis.

Innovation expands with insight.

With a strong permanent equity capital position, First Boston executes insights. We make knowledge work. We can put it to work for you.

Start First Boston thinking about your needs. Call on professionals like these two men in our headquarters in New York: Mike Bruno of Sales and Trading for Thrift Institutions (left), and Curtis Welling of Corporate Finance.

First Boston
Thinking capital

MONEY & INVESTMENTS

If we don't know where we are, how can we tell where we are going?

IBER the old gag about the govern-official on his hands and knees on lvania Avenue searching intently nething during the midday rush? at are you looking for?" asked a by.
watch."
ere do you remember that you had "
er on Massachusetts Avenue."
en why look here?"
e light is better."

Recent behavior of economists, analysts, forecasters, journalists reminds one of this old story. Widely accepted statistical data are often inaccurate; seasonal adjustments are off balance. The light is good but the watch just isn't there. Many experts don't understand what they're looking at or for.

Willis Winn, president of the Federal Reserve Bank of Cleveland, is one of those who are fully aware of the shortcomings of the current methods of economic measurement. Statistical measures say the economy is mixed; Winn's experience tells him something else. The machinery producers in his district are working all out with big backlogs. But housing is slowing and grain shipments have been held back by bad weather. Old standards just don't provide useful benchmarks, he says. "It's as if the economy has had a severe flood and the money is cutting new channels."

Viewed pragmatically the economy presents a mixed picture of weakness and strength. Industrial production is moderate, retail sales other than autos are soft, housing is falling and personal income is rising at half the 1978 rate of increase. The leading indicators have fallen for three consecutive months.

On the other hand, durable goods orders are rising strongly; capital appropriations are at record levels; prices are rising much too rapidly without much consumer or business resistance.

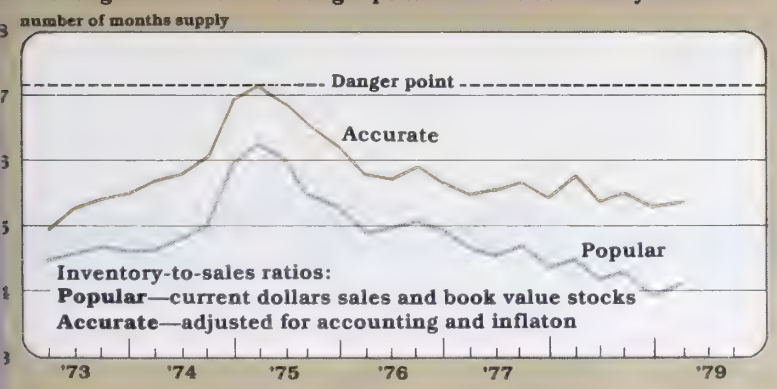
The contradictions arise partly because of inadequate data. The problem of misleading measurement is so serious it is almost impossible to make valid economic judgments. Almost everyone recognizes that the popular money-supply numbers have been distorted greatly by massive shifts in the flows of savings and checking deposits. Few are aware, however, that other data are also out of whack. Take inventory-to-sales ratios. They seem to show that inventories are in good shape relative to recent sales. But as explained in the chart on this page, inventories are much higher when expressed in current values. So take monthly personal income reports. These are constantly thrown out of line by "annual rate" adjustments that multiply by 12 a onetime increase in bonuses, tax rebates or social security adjustments.

Once the leading collector and disseminator of excellent statistical data, the U.S. is, statistically speaking, now operating in the dark. Users of the data don't even realize they're putting bronze-age entries into ultrasophisticated econometric models. Gibberish in, gibberish out.

So, our policymakers are operating with little sense of whether they are pursuing the right policies—or even whether there is such a thing as a "right" policy—at a time when all the old landmarks have turned into mirages. ■

Statistical mirages

key measure of the U.S. economy's health the inventory-to-sales ratio ished monthly by the Department of Commerce. Commerce tracks inven-s in several ways, but the most widely publicized (hence, most widely used) is seriously flawed. Contrary to popular opinion, the data do not measure s.They compare sales expressed in current (1979) dollars to inventories as ed on the books in dollar values that may, for companies using LIFO unting, go back to 1974 or earlier. Significantly, Commerce computes her inventory-to-sales ratio for internal use, one that allows for inflation and ccounting changes, which currently shows that inventories are substantially ter—though still below the danger point—than is commonly believed.



Source: Bureau of Economic Analysis, Department of Commerce

The idea of tax-exempt single-family mortgage revenue bonds is simplicity itself. The danger is potential for abuse à la REITs.

TOO MUCH OF A GOOD THING?

By Ben Weberman

REMEMBER the REITs? They attracted so much public interest with their combination of high yields and tax shelter that billions poured in—more money than could be invested sensibly. So the sponsors invested nonsensibly. I'm afraid something similar may happen with the popular tax-exempt single-family mortgage revenue bonds.

The idea is simplicity itself. By raising money under their tax exemption, municipalities can get it cheaper than you or I. Proceeds finance single-family housing within the municipality. The home buyer gets cheaper mortgage money; even with fees and spreads added, he can borrow at 8% to 8.95%. The investor gets a high-yielding tax-free bond. The sponsor and the underwriter get fat fees—fat enough to encourage loose practices. The U.S. taxpayer picks up the tab.

The whole thing started only last July when a $100 million mortgage poolwas sold publicly in the name of the City of Chicago to yield 7⅛% tax free. As much as $5 billion may come to market this year.

But how many of the investors really know what they are getting into? These are not full-faith-and-credit nor even moral obligation bonds.

Other than insurance covering the first 10% of foreclosured losses on most of the issues, all risk is carried by the investor. The city, county or state disclaims (usually in very small type) any obligation—even moral obligation. This is true for big Chicago, Ill. and for small Pekin, Ill. *(see illustration at right).* The institution that makes points and a fat fee putting together the pool of mortgages has no liability. And the underwriter has long since left the picture.

The general pattern for each of these issues involves a governmental sponsor. The money is raised for a trust organized by one or more mortgage institutions.

Now I don't mean to suggest that you should not buy any of these private family mortgage revenue bonds. Many of the issues have been put together responsibly. But Brenton Harries, the outspoken president of Standard & Poor's, worries about the big volume of the private housing mortgage revenue bonds and the quality of some of the issues. A number of the pools have applied for an S&P's rating and then pulled back when it became apparent that the rating would not be glorious.

I can't recommend specific issues in this column because they come to market and are sold quickly with very little secondary market trading. You must be informed about offerings. But here are some caveats:

Check for a limit on future offerings. Pueblo, Colo. was among the first of the issuers. The city authorized a $20-million issue to raise money for Midland Federal Savings Loan. The ink was hardly dry wh the County of Pueblo authorized additional $25 million to be lent three other institutions. The are which are almost geographically ide tical, cannot absorb so much mo gage money in one year. Furthermo Midland's headquarters are in Denv and it doesn't make many loans Pueblo. Such conditions could ve well generate an urge to lend aggr sively—à la REITs.

Check for borrower mix. The $ million Minneapolis Housing & Re velopment Authority home, own ship issue is more worthy. Steven Rosen of the research department Dean Witter Reynolds has put ou 32-page study of some of the positi and negative factors in the single-fa ily mortgage revenue bond issu This study points out that Minnea lis, itself, carries a rating of Aaa. T mortgage loans for this issue will serviced by 26 lending institutio and the size of the offering is small terms of local mortgage demand i rapidly growing city.

Look at the sponsor and borrow mix. The Health Care & Resident Facilities of Jefferson County, A overlaps some directors of the gove mental body and the five lending stitutions originating the mortgag Furthermore, county population declined from 85,000 in 1970 t currently estimated 83,000, so there no shortage of housing. The une ployment rate of 7.2% on Sept. 1978 was higher than the state av age. In 1977 the entire county applications for only $41 million mortgages. The proposed $48 milli issue was realistically reduced to $ million—still large. ■

Ben Weberman is economics editor of FORBES *magazine.*

New Issue

In the opinion of Chapman and Cutler, Bond Couns under existing statutes, regulations and judicial decisio interest on the Bonds is not includable in federal gro income and is therefore exempt from all present fede income taxation.

$15,000,000

→City of Pekin, Tazewell County, Illinois

Single Family Mortgage Revenue Bonds

→ (The Herget National Bank of Pekin—Originator and Servicer)

Due: December 1, as shown below **Dated: December 1, 19**

Interest on the Bonds will be payable June 1, 1979, and semiannually thereaf on December 1 and June 1 of each ye The Bonds will be issuable as coupon bonds, registrable as to prin be denomination of $5,000 each, and fully registered bonds in the denom of the prin of and interes B all be payable s of Pek be payable solel and p amounts def City of Pekin, Illinois, on mortgage loans (including earnings thereon and cer insurance with respect thereto) acquired with Bond proceeds, program participation fees and certain reserve funds. *The Bon will not constitute an indebtedness, liability, general or moral obligation or a pledge of the faith or loan of credit of the City Pekin, Tazewell County, the State of Illinois or any political subdivision thereof*

Part of a recent offering circular

Is the city of Pekin, Ill. the borrower? Guess again.

On the Big Board NICOR is known as 'GAS'. You should know us as 'The Basic Energy Company.'

hat's a NICOR?
e're the corporation with revenues of .2 billion that's getting down to asics in energy. Basic energy sources ke coal, oil, uranium, and natural gas. orthern Illinois Gas is our major subdiary. It's the fifth largest natural gas stribution company in the nation. nd one of the most efficient. Our customer-to-employe ratio is the best of y known gas distribution company the nation while distribution expense er customer is among the lowest in e industry.
But gas distribution is just one of our asic energy activities.

nshore and offshore, we're into xploration
ur subsidiaries participate in oil and as exploration projects all the way om Belize, up to offshore Texas and uisiana. And through the lower states, into Canada and out to fshore Alaska.

oal: Leasing, mining and asification
COR Minerals controls about one llion tons of recoverable coal in nois. NICOR Mining, another subdiary, has entered into a joint venture mine a portion of those reserves. nd our Mid-Continent Gasification bsidiary is a participating member the Illinois Coal Gasification Group orking on the first phase of a coal asification demonstration plant.

illing rigs and equipment
ese newly-acquired assets are enged in contract drilling for other oil d gas producers.

New energy ventures
In today's modern era the proven, efficient energy company is best suited to lead the way in coming years. That's why you'll find a NICOR subsidiary in the Overthrust Belt of the Rocky Mountains.

You'll find a NICOR subsidiary working with an industry association to subsidize research into "exotic" energy sources. Extracting hydrogen from water, converting marine biomass to methane and tapping geo-pressurized zones where trillions of cubic feet of natural gas lie trapped in brine.

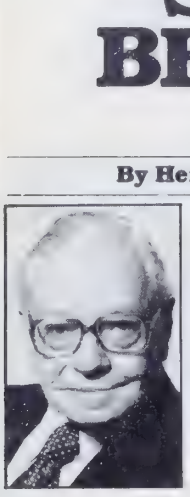
Energy's basic to NICOR and NICOR's basic in energy
We're the basic energy company now. And we'll be basic in energy in the future. Whatever that energy is. For more information, write J. M. Quigley, Financial Vice President and Secretary, NICOR Inc., Box 200, Dept. FB-4, Naperville, IL 60540.

NICOR
The Basic Energy Company

Some highly respected investment advisers are counseling their clients to get out of the market and stay out.

SPREADING BEARISHNESS

By Heinz H. Biel



THE STOCK MARKET rally after the turn of the year had raised hopes for better things to come. But then, at least for a while, the market succumbed to an avalanche of unpleasant news—a victim of realities. Lately it has been blowing hot and cold in response to front-page news, making it tough for prognosticators.

Despite the market's readiness to react to good news, while being remarkably impervious to Murphy's Law, bearishness seems to be spreading. Two very large insurance companies find it timely to gloat over selling many hundreds of millions of dollars' worth of stock last year. Most market technicians it seems are bearish, and some highly respected investment advisers are counseling their clients to get out of the market and stay out.

I don't deny that I share the feeling of considerable apprehension, but I cannot visualize a price collapse à la 1974. The market has not been carrying a great deal of excess weight that has to be shed in a corrective bear market. The DJI is already selling at barely eight times probable 1979 earnings. Of course, profits may be lower next year and the multiple can decline even further, but realistically, how much room is there on the downside?

If the market should decline, with the cost of living index rising at a rate of over 10% a year, stocks will get another black mark as an inflation hedge. As far as the *averages* are concerned, there is no alibi for poor performance. However, already in the first two months of the year, 13 of the 30 companies included in the Dow Jones industrial stock average have upped their dividend, lifting the annualized rate on the DJI to $51.77. This is an increase of 68% over the 1971 dividend of $30.86. At least the *income* from stocks is quite well hedged, which is more than one can say for bonds, whose fixed interest becomes less valuable in purchasing power with every passing year.

Update: A few months ago (FORBES, *Jan. 8*) I mentioned the floating rate notes of the New York Bank for Savings due Dec. 1, 1981. The interest rate of these notes is paid and adjusted *quarterly* to reflect the ups and downs in the U.S. Treasury bill rate. For the quarter ending May 31 interest will be paid at the annual rate of 10.75%, up from 9.95% in the preceding quarter, and only 8% (the bottom rate) a year ago. Because of the nearness of maturity (less than three years) these notes should not be bought unless available at par or only a nominal premium above par. The current price of 100¼ is just about right.

While many of the Wall Street pros are in a deep gloom-and-doom mood, speculators once again are having a lot of fun in casino stocks. That's where most of the action is. Just as a gambler trusts his luck and doesn't really care that the odds are stacked against him, a speculator should not ask a security analyst whether casino stocks are worth their selling price. He also should be careful not to multiply the number of outstanding shares by the price of the stock. It might shock him and take all the enjoyment out of it.

If you have been watching only the better-known casino stocks, which are listed on the New York or the American stock exchanges, you can't even imagine how wild the gambling is in the over-the-counter market. Here is an example: Last October, a month or so after the first spree in casino stocks had subsided, Caesars World gave its shareholders rights to buy units (consisting of two common shares and one warrant) of *Caesars World of N.J.* This company is building and will own and operate hotel/casinos in Atlantic City. The parent retaining ownership of some 80% its New Jersey subsidiary. The unit priced at $10, started trading in the 20-to-30 range. Recently they sold high as 140! You can't do better than that in roulette or blackjack. That is you were lucky and bought the stock at 20 or 30.

To say that interest in gambling stocks is lively would be the understatement of the year. Take the case of *Elsinore Corp.*, which is being spun off from *Hyatt Corp.* Elsinore is operating hotel/casinos in Las Vegas and Lake Tahoe, Nev. and plans a joint venture with Playboy Enterprises for a 500-room hotel/casino in Atlantic City. Although most Wall Street pros had never heard of Elsinore, except as the setting for *Hamlet*, about 2 million shares changed hands on just the first three days after the stock, then still trading on a when-issued basis—got its NASDAQ quote symbol. Although by far the most actively traded over-the-counter stock, Elsinore wasn't even quoted in the *Wall Street Journal* or any other newspaper at the time.

In contrast, another heavily traded over-the-counter stock, *De Beers Consolidated Mines*, looks like an ultraconservative investment. Perhaps it is, if we remember that whatever risk there may be are adequately discounted and reflected in the stock's low price in relation to earnings and high dividend return. There is no assurance that De Beers can continue indefinitely to mine diamonds in southern Africa, or that it can maintain its virtual monopoly in the pricing and marketing of diamonds, but there are risks in every industry, every business. I think it is probably "safer" to mine and sell diamonds than to mine copper and be at the mercy of the market.

Although De Beers, at 6½, now sells at its best price in over five years this is only at about 2.7 times 1979 earnings of about $2.40 a share. Dividends for last year totaled 75 cents for a yield of 11½%. (The 15% South African withholding tax can be reclaimed on your own federal income tax return.) The stock is traded here over-the-counter in the form of American Depositary Receipts, enjoying a close and extremely active market. The company's financial position is enormously strong. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

A new way to invest for high current income free from state and local income taxes.

Fidelity Government Securities Fund, Ltd., offers the prudent individual a number of significant advantages available together for the first time in a single investment.

High Quality and High Yield.

The Fund seeks a high current income from obligations issued by the U.S. Government and government agencies.

Traditionally, these have been among the most conservative investments available. And, while their value changes with changes in interest rates, they are free of credit risk. Furthermore, they provide an income that rivals many attractive savings opportunities.

Compare These Benefits:

1. No State or Local Income Taxes
2. 100% U.S. Government Securities
3. No Sales Charge
4. No Withdrawal Penalty
5. $1,000 Minimum Investment

No State or Local Income Taxes.

Better yet, The Fund invests in only those securities that are exempt from state and local income taxes in all 50 states. This feature alone distinguishes it from other funds and savings alternatives.

Low Initial Investment.

The minimum initial investment is $1,000. Individual government securities and savings certificates normally require a higher minimum purchase.

No Sales Charge or Withdrawal Fees.

There is no sales charge for Fidelity Government Securities Fund. All of your initial investment goes to work seeking high income free of state or local income taxes.

Moreover, there is no early withdrawal penalty. Income from The Fund may be received either monthly or quarterly. You may also choose to reinvest income and thereby automatically compound earnings.

Additional Advantages.

Fidelity Government Securities Fund offers diversification and is under continuous professional management. In addition, you need not be concerned with record keeping, coupon clipping or other maintenance chores.

FIDELITY GROUP

Over $4 billion of assets under management.

Learn More.

Complete facts are available and we urge you to get them by simply returning our coupon. Better yet, call toll-free for more information.

Call Free

(800) 225-6190

In Mass. Call Collect
(617) 726-0650

Fidelity Government Securities Fund, Ltd.
P.O. Box 832, Dept. JB 040279
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name

Address

City State Zip

Telephone

Retirement Plan Information:

☐ Keogh ☐ IRA

☐ 403(b) tax shelter for employees of educational and other non-profit organizations

the Solar Law Reporter

Present and future uses of solar technologies—from solar collectors to wind machines to energy farms—are placing increasing demands on the legal system. A new field of law—solar law is emerging. A bimonthly publication, the **Solar Law Reporter,** will serve as a source of timely information for lawmakers, professionals, academics and the solar industry.

The **Solar Law Reporter** will contain:

—information on statutes, regulations and judicial decisions

—analysis of legal problems and issues

—abstracts of additional solar legal materials

Technologies covered include biomass, ocean energy, passive, photovoltaics, solar heating and cooling, solar thermal conversion, storage systems and wind energy conversion.

Subscriptions will begin May 1979.

$7.50 per year—six issues

80-126 pages per issue

Write: **Solar Law Reporter**
P.O. Box 5400
Department B
Denver, CO 80217

(Published under contract to DOE)

WORK IN THE PARK INSTEAD OF THE JUNGLE.

Fed up with the problems associated with many traditional business and industrial locations? Consider moving your business to the office/industrial park at Miami Lakes, Florida.

A few minutes from Miami Int'l Airport, between Dade and Broward Counties, right next to the largest labor force in South Florida. An established community, widely regarded as one of the most beautiful and carefully planned in the Sun Belt. Over 70 companies, including branches of major corporations, call Miami Lakes home.

For a brochure, call or write David Van Daam.

MIAMI LAKES
14340 N.W. 60 Ave., Miami Lakes, Fla. 33014.
(305) 821-1130.
Miami Lakes Properties, Inc.
Registered Real Estate Broker

IL MORELLO
Ristorante Italiano
★★★ FORBES, NEW YORK TIMES AND GOURMET
1460 SECOND AVE., (76 & 77) N.Y.C. 535-9310

Distressing though it may sound, by the time you hear a story, there's nothing in it for you.

IN SEARCH OF A STORY

By Srully Blotnick

I'VE JUST returned to New York from a trip to Texas, New Mexico, Arizona and California, where I talked with investors in my psychological sample (FORBES, *Mar. 5*), particularly those approximately one in seven whom I characterize as high rollers. A high roller is one whose average level of expectation is at least twice that of other investors of the same age; his tolerance of risk is high and he must have action—patient, long-term investing is not for him. What are these itchy-fingered brethren doing? Sitting on the sidelines and seething with restlessness. I mean, they are rarin' to go.

Accompanying their impatience is cash. Like the more conservative investors in my sample, they are liquid—the bulk of their bankroll is temporarily tied up in high-yielding certificates of deposit, Treasury obligations or money market funds. But it's not a situation they enjoy, and the money is burning a hole in their pockets. Where to put it? That's the question all have asked and few have answered. In the words of one investor in my sample: "What we need is a new toy."

For high rollers, the stock market is not a place to invest but a game against which to test their luck and skill. Whereas an ordinary investor gets nervous if a stock he holds goes up, say, by 50%, and thinks of selling, the high roller won't even get interested in a stock until it *has* gone up 50%. He wants to get on a moving bandwagon, not a stalled one.

In my sample of some 1,100 investors, approximately 15% are high rollers; they are closer to 20% of the national investing population.

In my studies of investor psychology, these high rollers have repeatedly emerged as the single most important factor in the birth of a hot stock—that is, one which zooms to two, three or even five times its former value in a matter of months. A large group of *typical* investors who simultaneously start to chase a particular stock won't turn it into a hot stock. That's why my psychological profiles are so important: To know how far a stock will go, it is more important to know what *sort* of person is buying it than it is to know how *many* people are buying it. Why? Because at some point after a reasonable profit the *average* investor will say "enough" and cash in his chips. High rollers, however, whose levels of expectation are always inflated (and can become more so with little provocation), can easily convince themselves that "the sky is the limit." They do not sell on the way up but hold or buy more.

For instance, in the course of 11 trading days in 1967, 46 of the investors I track descended on the stock of Control Data. During the summer of 1973, 51 of my investors leaped on National Semiconductor. And finally, in the fall of 1978, 39 pounced on Holiday Inns. Each of these stocks skyrocketed as they did so. Last fall, for example, Holiday Inns doubled in a single month.

What was striking in each case was that the high rollers were present in disproportionate numbers, constituting approximately one-third of the people who pounced—more than twice their representation in my sample. They were clearly spearheading the effort to make the stock skyrocket: Not only did they invest a large portion of their capital in such stocks but they made more transactions than did others playing those stocks.

Dr. Srully Blotnick is a practicing psychologist and author of the new book, Winning: The Psychology of Successful Investing.

Are these high rollers winners? Alas, no. My studies show that the vast majority of them will suffer substantial losses. Why? Because by the time they notice the noise and excitement, the party will be over. The stock will have gone from 10 to 20, or 15 to 30, quietly on low volume. For example, they tended to buy Holiday Inns closer to 30, the top, than to 15, the starting point. Distressing though it may sound, by the time you hear a story, there's nothing in it for you. Basically, a hot stock is one on which others already have made money. Someone has to buy the stock from the early birds. That's where the high rollers come in. It is their job to buy the stock at the high prices, having convinced themselves—and you—this is only the beginning."

Certain losers that they are, the high rollers are important to watch for a number of reasons. When a large number of them are in a particular stock or group of stocks, it is probably time for the rest of us to get out of those stocks. When the high rollers are restless but inactive—as at present—it is only a matter of time before a stock or group of stocks get hot. When that happens those of us who are lucky enough to own those stocks will have a chance to sell to the high rollers at a good price.

If there is a group of stocks that is hot right now, it is the gambling stocks. What do my high rollers think of gambling stocks? While many hold them, few are buying them now. What does this tell the rest of us? Probably that the force that has impelled these gambling stocks upward has about run its course and that there are a good many weak holders around who are fated—as high rollers usually are—to dump stock on the market on the way down. Conversely, the mid-size oil and gas production companies, although they have had a good move, probably have not yet gone so far as they can go because they have not yet excited the high rollers.

I hasten to add that my sample is easier to read looking back than looking forward. However, if pressed to make a prediction from my recent findings, it would be this: If it can only get some good news, the stock market is ready to explode upward. The big investors are liquid; the high rollers are straining at the bit. Both groups are looking for an excuse to buy— looking for what in the Sixties they called a "story." Heard any good stories lately? ■

GROWTH IS ALIVE

Many leading growth stocks are still selling well below their all-time highs while their earnings per share and dividends have risen to new peak levels.

Some investors—sensitive to good value—realize this and are buying. Others, however, will probably wait until the top of the market to buy. SAD.

Can we interest you—NOW?

T. Rowe Price GROWTH STOCK FUND, Inc.
A NO-LOAD FUND

800-638-1527 If busy, or in Maryland call 301-547-2136 collect.

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

T. ROWE PRICE GROWTH STOCK FUND, Inc.
100 East Pratt Street, Baltimore, Maryland 21202 A6

Name

Address

City State Zip

Forbes Subscriber List

From time to time, Forbes makes its subscriber list available to selected companies and other organizations with products or services of interest to the business and investment community.

These users value the opportunity to reach one of the most influential and economically powerful audiences offered by any magazine. Forbes, for its part, believes it is performing a service to its subscribers in extending its scope as an information medium on matters which can promote the success of a subscriber's business and personal affairs.

Nevertheless, some subscribers may not wish to have their names included in these mailings. If you would like us to delete your name from this mailing list, please let us know by completing and returning the coupon below or simply attach the mailing label from the cover of your magazine.

Forbes Magazine (Mailing Lists),
60 Fifth Avenue, New York, New York 10011

☐ Please remove my name from your mailing list. The name and address as shown on my magazine address label is.

Name

Address

City State Zip

EXECUTIVES IN 147 COUNTRIES CONSIDER THEM INDISPENSABLE

MULTINATIONAL EXECUTIVE TRAVEL COMPANION. (The Guide to Travelling on Business and Pleasure in 160 Countries) — essential data on business hours, business etiquette, local customs, public and commercial holidays, international trade fairs and events, currencies and rates, visa and health requirements, where to go, whom to meet, what to see and hear, where to stay, eat, entertain, what and where to shop, and much more. Priced at $20 in USA, $25 outside USA - airmail.

GUIDE TO TRAVEL AND RESIDENCE EXPENSES WORLDWIDE. (The Guide to Living Costs and Conditions Worldwide) — helps you plan and control your travel costs in advance (hotels, restaurants, entertainment, communications, transportation, secretarial/translation, medical, pharmaceuticals, and much more). Priced at $60 in USA, $70 outside USA — airmail.

BUSINESSMAN'S GUIDE TO ARAB WORLD AND IRAN. Priced at $20 in USA, $25 outside USA - airmail

MULTINATIONAL BUSINESS YEARBOOK Priced at $80 in USA, $95 outside USA - airmail

ORDER YOUR COPIES AND FIND OUT WHY DECISION-MAKERS WORLDWIDE SUBSCRIBE TO THEM EVERY YEAR!

For free descriptive catalogue, pricing, free bonus, send your order and inquiry to: Multinational Business Guides, Dept. FB-4, Harvard Square Box 92, Cambridge, Mass. 02138, U.S.A

DIAMOND INTERNATIONAL CORPORATION

98th CONSECUTIVE YEAR OF DIVIDENDS*

The Board of Directors of the Diamond International Corporation on February 28, 1979, declared a quarterly dividend of 55¢ per share on the Common Stock, and 30¢ per share on the Series A Preferred Stock, both payable May 1, 1979, to shareholders of record April 10, 1979.

*Common Stock

GEORGE PASCALE
Vice President-Secretary

Forest Products • Packaging & Printing
Consumer Products • Building Materials & Home Supplies • Machinery Systems

Give to:

PROJECT HOPE

Department A, Washington, D.C. 20007

If tax time gets you down, try a face-lift you think you'll feel better. After all, it's t deductible.

OVERLOOKED DEDUCTIONS

By John Train

UNDER the proper circumstances, you can deduct all the following:

Casualty losses to property from accident, theft, vandalism, fire, storm, flood, etc., where unexpected and violent, even if the taxpayer has been "ordinarily" (but not "grossly") negligent. The cost of restoring the property to its previous condition is deductible, failing proof of the reduction in its value.

Contributions in the form of travel expenses to do volunteer work, and taking children sponsored by a charitable organization swimming, fishing, to dinner or whatever; or in the form of expenses of parties to promote balls, etc., of a charitable organization; or of the value of office space for the organization.

Contribution of a restrictive easement on one's land to preserve its beauty, such as a limitation on development, or of a right-of-way for a recreation trail along the edge of one's property.

Contribution of property to a tax-exempt organization at fair market value if the organization can use the property for the purpose that is the basis of its tax exemption: *e.g.*, a gift of manuscripts to a library. (If the organization cannot so use it, then the deduction is reduced by 50% of the donor's unrealized capital gain.)

The cost of investigating an investment proposition (even for nonprofessionals) that is entered into and then abandoned.

The cost to investors of entertaining Wall Street sages (prospective hostesses please note) and other *cognosce*

Face-lifting, even if not recomm ed by a physician.

Farm losses, if the farm is ru profit. The IRS presumes this to if the farm makes money in tw of five consecutive years, except for horse farms it's two out of sev the farm really is intended to b for profit, losses are deductible e they don't satisfy that test. To re contention that any activity i entered into for profit, one is advised to operate it under a name; engage professional help involved personally; form an adv panel of experts; keep meticulo counts; discontinue unprof lines; and make feasibility studi

Losses resulting from misrepresent This is a curious point, and not ge ly understood. If you've been g you may be able to claim a casualt on the grounds of theft. For insta you lend money on the basis of a balance sheet, or indeed take a ba bogus stock, you've been defraude can deduct your loss.

Losses on sales of securities or p ty between a couple or siblings c ents and descendants are automat *dis*allowed.

Medical expenses: Air-conditi an elevator or a swimming p medically required, minus the r ing increase in the value of the h a stereo system for an incapac person.

Medical expenses (if more than adjusted gross income): acupun birth control pills, chiropra Christian Science "practiti (who often don't see the patient chiatrists (even if unlicensed) contact lens insurance and m and prescription drug insurance

Medical expenses: The entire co special school for a child with a ing or physical disability; trans tion to and from a physician meeting), including the expens parent who accompanies a child

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

nysician lives in a distant city; Security taxes on a private wages; transportation to and staurants that prepare salt-free together with their extra cost, cally required.

g expenses, if the new job is at miles farther away than the ; includes house-hunting and expenses.

rt fee, for a business trip only.

nts by an executive if made to his business reputation, even are not a direct obligation, or payments to creditors after ge in bankruptcy.

ase and sale at a loss of stock in any intended to create busi- to provide a source of supply.

on a) cars, b) boats, c) mobile d) airplanes and e) materials w home where the taxpayer is n contractor may be deducted *tion* to the sales taxes pre- by the IRS tables if a taxpayer e tables.

on materials purchased by a tor working for the taxpayer, in states.

and convention costs of tax- wife, if her trip is to help her d's business.

expenses incurred by a teacher batical leave, if related to his g position (frequently abused, I and).

repair, if an employee has to watch.

ist is adapted from *Take It Off!*, llent book by Robert S. Holz- Ph.D. (Thomas Y. Crowell, or about $4 aftertax).

ome readers the most useful the book will be the meticu- ations. The burden of proof is taxpayer, so if you claim a on for acupuncture treatments IRS agent comes up with a "Who says so?" you can give actual case. One suggestion publisher: In the next edition sure there will be more), have .

nan doesn't cover credits (as from deductions). Here are eful ones:

care expenses that enable a o work (maximum of $400).

ment tax credit on a car used for .

ment credit for 15% of the cost or business insulation (maxi- edit of $300)

ment credit for renovation to a building that has not been d for at least 30 years. ■

Get peak yields plus daily liquidity with only $2,000.

Here at the top, you'll find important advantages.

- ☐ High money market yields.
- ☐ Immediate liquidity—no withdrawal penalty.
- ☐ Toll-Free telephone redemption/transfer.
- ☐ Free check writing.
- ☐ No-Load. No sales charge or redemption penalty.

You get these benefits whether you invest $2,000 or $2,000,000. For current yield, phone toll-free **1-800-638-1527.** If busy, or in Maryland, call collect 301-547-2136.

A6

Rowe Price Prime Reserve Fund, Inc.

100 E. Pratt Street, Baltimore, Maryland 21202.

Name _____

Address _____

City _____ State _____ Zip Code _____

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

Slip Cases For FORBES

Rugged and handsome cases in red and black with title embossed in gold. Prices: $4.95 each, 3 for $14.00, 6 for $24.00. Send check to Jesse Jones Box Corporation, Department FB, Post Office Box 5120, Philadelphia, Pennsylvania 19141. Please allow three to four weeks for delivery.

My basic objective is to own a portfolio that will at least double income and market value within a ten-year period.

INVESTING FOR GROWTH

By T. Rowe Price

FOR NEW READERS of my column and to remind my previous readers, I would like to repeat my basic investment principles and fundamental beliefs.

My aim is to help the nonprofessional investor to select and maintain a broad diversified list of common stocks that will enable him or her to be successful in achieving investment objectives and to avoid some of the mistakes the author has made during nearly 60 years of investment experience. My basic objective is to own a common stock portfolio that will at least double income and market value within a ten-year period (barring financial panic). No one can achieve perfect investment results. My goal is to have three of my four stock selections turn out profitable.

The investment philosophy is the same that has proven so successful for me since I started a model inflation or growth stock portfolio in 1934. This philosophy recognizes that no one is capable of guessing the ups and downs of the stock market cycles over a long period of years; that it is not necessary to know or to try to guess the trends in the stock market to succeed. The philosophy is based on the fact that many of the fortunes of this country are made and kept by people who own successful business enterprises that continue to grow and prosper over a long period of years. These business people did not attempt to sell out and buy back again their ownerships of the businesses through the ups and downs of the business and stock market cycles. Neither should investors try to catch the swings.

My investment program provides for no more than 50% of invested capital in common stocks and 50% in dollar obligations, primarily short (90 days to three years) and medium (three to ten years) maturities. This program has been in effect since 1966, and is discussed in some detail in my fourth column published in FORBES *(Dec. 11, 1978)*. For younger investors, the percentage in common stocks can be higher than 50% but should remain well below 100%.

I measure performance in terms of a) growth of market value and b) growth of income. Market value: Eighteen months is too short a period of time to draw conclusions other than to get an indication of the trend and to make a comparison of results with stock indices. All individual stocks and all groups are unlikely to perform well at the same time. Growth stocks, for example, are usually strong when other groups are weak and vice versa. For short periods, psychological factors are of greater influence than are economic factors.

Here is how my selected portfolios have performed compared with the averages over the 18 months since I first compiled them in August 1977. (But remember 18 months is a short period as far as investment results are concerned.)

Market performance
18 months ended 2/28/79

Group A	+37%
Group B	+ 1.6
Group C	+25.1
Total	+21.2%
Stock indices	
Dow Jones industrials	– 6.1%
Standard & Poor's 500	– 0.5
NYSE composite	+ 1.9
Amex	+36.3
NASDAQOTC composite	+22.4

Income, or cash dividends paid, is a better short-term indicator than i ket performance because it is base earnings, and it is an actual retur invested capital. The exhibit sh that of the 21 stocks in Group A, three—Dome Petroleum, Ma Power and Teleprompter—paid dividends. Total income for the g increased 29.1%. In Group B, only stock—Digital Equipment—paid dividend. Income for the group creased 23.3%. In Group C, Rand Exploration is the only one that no dividend; UNC Resources pa initial dividend in 1978; Kerr-M and St. Joe Minerals did not inc dividends, while Newmont's and ston's dividends declined. Grou showed a 25.1% increase. The portfolio increased 21.2%.

Comparison of income
1977-78 with stock indic

Group A	+29.1
Group B	+23.3
Group C	+26.7
Total	+26.7
Stock indices	
Dow Jones industrials	+5.8
Standard & Poor's 500	+9.2

An alternate list

In past articles I have menti several additional stocks that I and that qualify for growth of m value and income. Here is an u date list of eight such stocks: Bard; Camflo Mines; Ethan A Frigitronics; Cross & Trecker; I pore; Thermo Electron; Tosco.

Two of these stocks, Ethan and Frigitronics, have just rec been added to my portfolio. were purchased last fall for the time and, guess what? A month my initial purchase, they dec 25% and 30%, respectively, in m value. How is this for good timi an experienced investor? Of c my investment strategy require purchase of additional shares of stocks at lower prices. The av cost of present holdings is 2 Ethan Allen common, 83 for Allen 5¼% convertible bonds 16½ for Frigitronics. This group the exception of Bard, is more s lative than most of the other experienced dynamic earnings g and has paid no or low income eight stocks listed above perfor follows:

Earnings growth 1977-78 +44
Income growth 1977-78 +34
Growth in market value in 18 months through 2/28/79 +47

T. Rowe Price, founder of the mutual fund and investment counseling firm bearing his name, is retired and living in Baltimore.

A Special Invitation from VALUE LINE

To Investors Who Use Discount Brokers

. . . and make their own investment decisions

growing minority of investors e turning to discount brokers to it commission costs. Generally, is is appropriate only for those no make their own decisions, nce most discount brokers do ot provide investment research. o; if you're doing business with discount broker, you need the est independent research you an get. (Your commission savgs on just a few trades may pay r a full year of such assistance.) ere's how Value Line can help:

e'd like to send you Value Line's test full-page Reports on each of 700 stocks under continual reew. These come to you ready for stant use, fully indexed and ose-leaf bound in the *Investors eference Service* (available sepately for $45) . . . and will be ystematically updated by new eports in the weeks ahead. Filing kes less than a minute a week. l this material is so organized in our binder that you can quickly rn to a continually updated reort on almost any leading stock.

iese comprehensive Reports cov almost every stock that's likely be of interest to you. The 1700 ocks covered by Value Line acunt for approximately 96% of all illar trading volume in the U.S. uity markets. With Value Line, u're really "well armed."

typical Value Line full-page Reort on a stock includes 22 series vital financial and operating statics—going back 15 years and timated 3 to 5 years into the ure—plus ratings and estimates relative Price Performance in next 12 months, long-term pertntage Appreciation Potential, Quality (Safety), current Yield and P/E compared to past norms, and Value Line's analysis of ongoing corporate developments. About 130 Reports are issued every week —1700 every 13 weeks, in regular sequence.

But perhaps most significant of all is the objective Value Line Ranking System which reduces thousands of hours of research by 70 experienced analysts and statisticians to two straightforward signals, the rank for Timeliness and the rank for Safety.

Stocks to Avoid Now. Because Value Line applies *uniform standards of evaluation* to all 1700 stocks, you can quickly and easily identify which stocks we currently rate *relatively* best and worst for your particular goals. We especially suggest you avoid the 400 stocks currently ranked below average for Timeliness (Performance) in the year ahead.

In addition to the full-page Reports, Value Line's key investment ratings and measurements for *all* 1700 stocks are updated EVERY WEEK in our 32-page weekly *Summary & Index.* With Value Line, you are never left "hanging."

Double Bonus Offer. If you're an independent investor—if you call your own shots—you should settle for nothing less than the best. So we invite you to let us send you The Value Line Investment Survey every week for the next 12 months. Plus two immediate bonuses—the two-volume *Investors Reference Service* (described above) and our penetrating new 96-page guidebook, *"Evaluating Common Stocks,"* which explains how even inexperienced investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Quality (Safety).

Money Back Guarantee: You take no risk in accepting this offer. If you're not satisfied with Value Line for any reason at all, just return the material you have received within 30 days for a full refund of your subscription fee.

Special Introductory Trial Offer. Or if you prefer—and if no member of your household has subscribed to Value Line in the past two years—you may take an introductory 9-week trial for only $29. You get the same bonuses and the same money-back guarantee.

This subscription is tax-deductible if utilized to aid in the management of your investments.

Please give us your instructions on the coupon below and mail it today.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc. • 711 Third Avenue, New York, N.Y. 10017

☐ Begin my 9-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year —and send payment now.

☐ 1 year for $315. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $315. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid.

Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.)

516M02

Stock Trends

Yes, there have been losers. The outstanding loss to date has been Houston Oil & Mineral, having declined over 50% since recommended in August 1977. The other obvious mistake was to switch Sabine into Rite Aid. Sabine has had a sizable advance, while Rite Aid is down slightly. The other principal losses worthy of note are Lowes, Homestake, K mart, Kerr-McGee, McCormick, Pittston and St. Joe Minerals. I have not sold any of the poor performers in my portfolio, and do not plan to do so at the present time. My Houston Oil & Mineral cost only 6⅜, and its sales would result in a big capital gains tax. A little luck in their drilling could make its purchase a better bet than its sale.

The other stocks that have not performed well so far are in industries that have been in a temporary declining earnings trend or stocks that are currently out of fashion with the public. However, for an investor who has just started a buying program I would recommend Frigitronics in place of Houston Oil & Mineral. Frigitronics is selling at about the same price as Houston and is in a business with a great future. Furthermore, Frigitronics' earnings are less likely to be adversely influenced by a decline in the business cycle.

Many investors, particularly those with limited funds, do not want to own 60 different stocks. In my judgment a large list of stocks is necessary a) to reduce the risk of concentration in a few issues and b) to provide an opportunity to the investor to profit from the many growing industries of the future.

For the benefit of those requestin smaller list, I have selected 30 sto in the accompanying tables, placed asterisk before 29 of those names added Frigitronics for the 30th. T shorter list, like the longer one, gi broad diversifcation among differ industries and different natural sources. For an investor w $100,000 or less, I recommend shares of several mutual funds w different managements.

When you invest your money not think about buying or investin *stocks.* Think about businesses in tile fields, and about ownership of gible properties consisting of c modities and natural resources are going to increase in value ov period of years. You are investin assets and earning power, not pieces of paper. ■

T. Rowe Price model new era portfolio

(inception 8/31/77)
performance—growth of income and market value

shares	Group A company	price (2/28/79)	value	change since 8/31/77	——dollar income—— 1977	1978	change 1977-7
727	Castle & Cooke	15⅛	$ 10,995.88	+10.0%	$480.68	$581.60	+21.0
196	Dome Mines*	85¾	16,807.00	+68.1	156.80	196.00	+25.0
265	Dome Petroleum	97¼	25,771.25	+157.7	—	—	—
402	Jack Eckerd	24⅛	9,698.25	-3.0	209.04	273.36	+30.8
563	EG&G	26	14,638.00	+46.4	202.68	236.46	+16.7
610	Flexi-Van	14⅝	8,921.25	-10.8	213.50	427.00	+100.0
740	Hexcel	17¼	12,765.00	+27.7	316.35	338.55	+7.0
261	Houston Oil & Mineral	16⅝	4,339.13	-56.6	174.09	208.80	+19.9
435	Lowes Cos*	18¼	7,938.75	-20.6	104.40	174.00	+66.7
1,176	Magma Power*	11¼	13,230.00	+32.3	—	—	—
552	McCormick	13½	7,452.00	-25.5	220.80	220.80	NC
1,212	Payless Cashways*	12¾	15,453.00	+54.5	90.90	121.20	+33.3
490	Perkin-Elmer	27¼	13,352.50	+33.5	156.80	196.00	+25.0
544	Scientific-Atlanta*	34¼	18,632.00	+86.3	70.72	92.48	+30.8
263	Thomas & Betts*	41⅝	10,947.38	+9.5	255.11	310.34	+21.6
576	Viacom*	26	14,950.00	+49.5	57.50	129.38	+125.0
976	Harris Corp.*[1]	26	25,376.00	+153.8	439.20	536.80	+22.2
397	Rite Aid[2]	19¼	7,642.25	-23.6	127.04	156.82	+23.4
728	Fleetwood[3]	10½	7,644.00	+86.3	313.04	356.72	+14.0
879	Teleprompter*[4]	12½	10,987.50				
578	Time 1.575 conv pfd B[5]	28½	16,473.00	+64.7	new issue	78.39	NA
	total Group A	—	$274,014.13	+37%	$3,588.65	$4,634.70	+29.1
	NYSE comp index 52.93	53.93	—	+1.9	—	—	—
	Amex index 117.97	160.74	—	+36.3	—	—	—
	Dow Jones industrial 861.49	808.82	—	-6.1	$45.84	48.52	+5.8
	Standard & Poor's 500 96.77	96.28	—	-0.5	4.66	5.09	+9.2
	NASDAQ OTC comp 100.10	122.56	—	+22.4	—	—	—

[illegible] November 1977 at 20 [illegible] replacement for Alcon Labs. [2]Bought April 1978 at 21⅜ as replacement for Sabine Corp. [3]Bought July 1978 at 13⅛ as par[illegible] replacement for ESL. [4]Bought [illegible] 1978 at 11⅝ as partial replacement for ESL. [5]Received October 1978 from merger of Amer. TV & Comm. into Time.
NC: no change. NA: not available.

shares	**Group B** company	price (2/28/79)	value	change since 8/31/77	——dollar income—— 1977	1978	change 1977-78
580	Black & Decker	19	$11,020.00	+10.2%	$278.40	$359.60	+29.2%
140	Burroughs	64¾	9,065.00	-9.4	114.80	189.00	+64.6
207	Digital Equipment	49½	10,246.50	+2.5	——	——	——
247	Walt Disney	37⅛	9,169.88	-8.3	36.26	78.74	+117.2
162	Eastman Kodak*	59⅝	9,659.25	-3.4	340.20	361.26	+6.2
510	Emery Air Freight	16⅞	8,606.25	-13.9	363.37	447.53	+23.2
187	General Electric	46	8,602.00	-14.0	374.00	448.80	+20.0
126	Hewlett-Packard*	85⅛	10,725.75	+7.3	50.40	63.00	+25.0
37	IBM*	300	11,100.00	+11.0	370.00	426.24	+15.2
138	Johnson & Johnson*	68¼	9,418.50	-5.8	193.20	234.60	+21.4
326	K mart	23¼	7,579.50	-24.2	163.00	221.68	+36.0
170	Merck*	65¼	11,092.50	+10.9	255.00	289.00	+13.3
192	3M*	56⅜	10,824.00	+8.2	326.40	384.00	+17.6
394	PepsiCo	23⅞	9,406.75	-5.9	325.05	384.15	+18.2
324	Polaroid	40¼	13,041.00	+30.4	210.60	291.60	+38.5
234	Revlon	47⅝	11,144.25	+11.4	222.30	280.80	+26.3
149	Schlumberger*	96¾	14,415.75	+44.2	130.37	175.07	+34.3
113	Texas Instruments*	78¾	8,898.75	-11.0	149.16	189.84	+27.3
324	Weyerhaeuser*	28¼	9,153.00	-8.5	259.20	275.40	+6.3
190	Xerox	52⅞	10,046.25	+0.5	266.00	361.00	+35.7
	total Group B	——	$203,214.88	+1.6%	$4,427.71	$5,461.31	+23.3%
	Dow Jones industrial	808.82	——	-6.1	$45.84	$48.52	+5.8%
	Standard & Poor's 500	96.28	——	-0.5	4.66	5.09	+9.2

shares	**Group C** company	price (2/28/79)	value	change since 8/31/77	——dollar income—— 1977	1978	change 1977-78
784	Alico*	18⅞	$14,798.00	+48.0%	$156.80	$196.00	+25.0%
225	AMAX*	48½	10,912.50	+9.1	393.75	419.06	+6.4
580	Anglo Amer Gold Inv*	25⅛	14,572.50	+45.7	944.82	1,030.08	+9.0
735	Callahan Mining*	16¼	11,943.75	+19.4	244.90	279.89	+14.3
362	Campbell Red Lakes Mine*	33⅛	11,991.25	+19.9	244.35	276.93	+13.3
,212	Day Mines	11¾	14,241.00	+42.4	242.40	303.00	+25.0
,454	East Driefontein Gold*	10⅜	15,085.25	+50.9	1,027.98	1,141.39	+11.0
255	Homestake Mining	34¼	8,733.75	-12.7	318.75	337.88	+6.0
169	Kerr-McGee*	50⅝	8,555.63	-14.4	211.25	211.25	NC
,162	Kloof Gold Mining	9⅛	19,728.25	+97.3	583.74	793.45	+35.9
544	Newmont Mining*	24	13,056.00	+30.6	761.60	435.20	-42.8
410	Pittston	19⅜	7,943.75	-20.6	528.90	492.00	-7.0
,403	Pres Steyn Gold Mining	10⅛	14,205.38	+42.1	242.72	1,063.47	+338.1
296	Randfontein Estates*	42⅜	12,543.00	+25.4	712.47	1,143.74	+60.5
615	Ranchers Exploration	17	10,455.00	+4.6	——	——	——
507	Rosario Resources	24	12,168.00	+21.7	298.20	323.06	+8.3
,334	St Joe Minerals	25⅞	8,642.25	-13.6	434.20	434.20	NC
447	UNC Resources	20	8,940.00	-10.6	——	178.80	+100.0
714	Vaal Reefs*	23	16,422.00	+64.2	782.54	1,094.56	+39.9
487	West Driefontein Gold	31⅜	15,279.63	+52.8	1,314.41	1,810.67	+37.8
	total Group C	——	$250,216.88	+25.1%	$9,443.78	$11,964.63	+26.7%
	total portfolio	——	$727,445.88	+21.2	$17,460.14	$22,060.64	+26.3%
	Dow Jones industrial	808.82	——	-6.1	$45.84	$48.52	+5.8%
	Standard & Poor's 500	96.28	——	-0.5	4.66	5.09	+9.2

NC: no change

It was widely believed that some Arab petroltates, newly flush with oil money, were indulging their taste for sweets.

LET ME HEAR THAT BEET

By Stanley W. Angrist

NOT EVERYTHING costs more. I know that is a radical statement that most people would find totally incredible. But indeed in this column I will discuss a commodity that is selling for a fifth of what it sold for in late 1974. Of course, you are expecting me to name some not very popular vegetable like rutabaga or some rare metal like vanadium and, therefore, you will yawn and say: "So what, who needs those items?" Instead, I am going to tell you that is exactly what has happened to the price of sugar, and in the U.S. we consume sugar at the rate of 95 pounds or so per person on an annual basis. Not very important, indeed.

It is not hard to figure out why prices are so low. Current sugar supplies are vastly in excess of needs. This has driven prices well below the cost of production, even in parts of the world where costs are lowest. How and why did the world get in this condition? Answering these questions in a meaningful way requires a little historical background.

Sugar prices started to run up in early 1974 from a base price of about 15 cents per pound. By November, the nearest futures price had reached more than 65 cents per pound. Long holders of a single sugar contract would have realized a profit in excess of $55,000 on an original margin of about $1,000. This move by sugar has probably been the single most profitable move in the commodity markets in recent memory—if not all time. The events that fueled that move seem innocuous enough in retrospect—stocks at the end of the season dropped to "only" 16 million metric tons and production roughly equaled consumption. Furthermore, it was widely believed that some of the Arab petroltates, newly flush with oil money, were indulging their centuries-old taste for sweets. From such gossamer are incredible bull markets woven. Sugar then proceeded to drift down into the trading doldrums. Dull! Dull! Dull! This little story is told with graphic simplicity in the chart below.

Almost 40% of the world's sugar is derived from sugar beets. And almost all beets are raised in centrally planned economies. (The U.S.S.R. is by far the world's largest producer of beets.) Cane production also is fairly unresponsive to demand. In many countries, employment considerations have become more important than profitability. Thus low reserves produced by low prices have failed to materially affect supplies. Adam Smith's invisible hand seems to be stuck in somebody's pocket.

Most sugar observers believe that the key to forecasting sugar prices is the International Sugar Agreement of 1977. If the U.S. and the European Economic Community fail to subscribe to the agreement, the effort is certainly doomed. Basically, the chief tool of the ISA is export quotas. The idea is fairly simple: Hold excess sugar off the market in times of surplus so that normal demand pulls on the available supplies. Supposedly this demand against limited availability would then pull prices, lifting them to the 11-to-12-cent range of the agreement.

The Senate has withheld its ratification of the ISA in an effort to obtain higher support prices for U.S. sugar producers. There is some talk that the key sugar state senators would like to hold out for a 17-cent-per-pound support price, but that rate is nearly twice the world price for sugar, and such a move would bode poorly for the Administration's efforts to control inflation. The Administration seems to be willing to settle for a support price of 15.8 cents. If such a support bill passed, it is widely believed that the Senate would ratify the ISA. However, with each passing week, the feeling is becoming more prevalent that agreement on U.S. sugar legislation is not at hand.

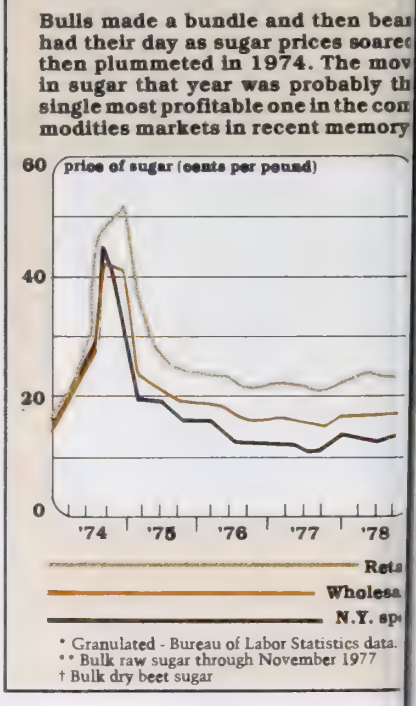
According to F.O. Licht, a key sugar market observer, world stocks at Aug. 31, 1979, the end of the season, are now projected at 32.3 million tons in comparison with 29.8 million tons a year earlier. World production is estimated at 93.2 million tons *vs.* estimated consumption of 90.3 million tons. Thus stocks at season's end can be calculated to be 35.7% of consumption—a historically high level. Sustained rallies in the face of this overhang are hard for me to imagine.

I would short July sugar on rallies above 8.85 cents. I would risk no more than 30 points above my entry position. (Sugar is quoted in cents and hundredths—points—of a cent per pound; so a 30-point risk on a 112,000-pound contract translates into a $336 risk.) A decline of 100 points ($1,120 per contract) is not an unreasonable expectation for the commodity. The margin on a sugar contract is $1,000 while the round-turn commission is $75. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

Sweet moves

Bulls made a bundle and then bears had their day as sugar prices soared then plummeted in 1974. The move in sugar that year was probably the single most profitable one in the commodities markets in recent memory



* Granulated - Bureau of Labor Statistics data.
** Bulk raw sugar through November 1977
† Bulk dry beet sugar

Forbes Index

companies covered in news stories and by the columnists in this issue.

& Casualty 82
& Alexander Services 88
eo 48
Brands 82, 86
Express 89
Re-Insurance 82
Clayton & Co 86
apital 72
..... 58
s 108
abson Investment Fund 108
ome Properties 34
nerica 16
man Dillon 33
sch GmbH 50
ng 88
yland 48
oks 116
orld of N.J. 122
hattan 16
Bank 16
Fund 108
ystem 19
Rock Island & Pacific RR 112
..... 16, 89
Trust 112
..... 108
Banker 71
enn Group 66
ed Capital Growth 34
Black 88
& Co 6, 64
Ink & Chemicals 72
..... 34
Consolidated Mines 122
d 72
ds 54
..... 122
Camera & Instrument 50
Fiat 48
Ford Motor 44
Fox and Carskadon 34
Franklin Life Insurance 82
Ulrich Franzen & Associates 19
General Electric (of Britain) 50
GM 6, 12, 44
HMW Inds 19
Frank B. Hall & Co 88
Halliburton 54
Hartz Mountain 38
Holiday Inns 124
Houston Natural Gas 64
E.F. Hutton 33, 86, 112
Hyatt 122
IBM 50, 108
Ipstock Johnsen Ltd 72
Islamic Investment 112
Isuzu Motors Ltd 48
JMB Realty Corp 33
Fred S. James & Co 88
Johnson & Higgins 88
Johnson & Johnson 108
Kansas City Southern Inds 19
Kellogg 64
Koger Properties 34
Lazard Frères 33
Lehman Bros. Kuhn Loeb 86
Lehndorff Group 72
Leslie & Godwin 88
Life Insurance Co of Georgia 82
Lincoln National 82
Lincoln Properties 34
Living Dynamics Int'l 35
Lloyd's of London 88
Loeb Rhoades Hornblower Income Properties 33
J. Ray McDermott & Co 54
Robert A. McNeil Corp 34
3M 108
Magnuson Systems 50
Main Lafrantz 71
Manufacturers Hanover 16
Marsh & McLennan 88
Merrill Lynch 33, 86, 89
Midland Federal Savings and Loan 120
Monumental Corp 82
Morgan Stanley & Co 86
Motorola 50
NLT Corp 82
Nissan 10, 44
Paine Webber Properties 33
Petway 40
Peugeot-Citroën 46
Philip Morris 19
Polaroid 108
Polychrome 72
T. Rowe Price Growth Stock Fund 108
Pullman 86
Renault 46
Republic National Life Insurance 82
Rhône-Poulenc 72
A.H. Robins 38
Rockwell Int'l 102
Savin Business Machines 19
Schlumberger 108
Seaboard Coastline Inds 19
Smith Barney 33
Southeast First Nat'l Bank of Miami 71
Swiss Bank Corp 71
Teradyne 50
Texas Instruments 50
Toyota 44
UAL 64
USLIFE 82, 86
Volkswagen 10, 45
Volvo 48
Warner Communications 10
Xerox 20

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

HOW TO ADVERTISE IN FORBES CLASSIFIED

REGULAR CLASSIFIED LISTINGS: All listings are accepted at the discretion of the Publisher. Line rate is $18.65. Minimum size ad is one inch (14 agate lines) costing $261.10. FORBES will typeset without charge.

DISPLAY CLASSIFIED ADVERTISING: Line rate is $18.30. Minimum size for display is two inches (28 agate lines) costing $512.40. Must be submitted as film negative or camera-ready mechanical to size. For specific requirements send for order form.

Box numbers provided on request. There is no charge for mailing service on blind ads.

FORBES CLASSIFIED: is published in the first issue of each month. Advertising closing date is one month preceding date of issue.

Frequency discounts available. Payment must accompany order unless from accredited agency.

FOR ADDITIONAL INFORMATION WRITE OR CALL:

SARAH MADISON
FORBES CLASSIFIED
60 FIFTH AVENUE/NEW YORK, NY 10011
(212) 620-2371

FAST FACTS ABOUT FORBES SUBSCRIBERS

★ Total paid circulation: 670,000

★ 306,000 are in top management positions

★ 184,000 serve on their companies' board of directors

★ 150,000 serve on boards of companies other than their own

★ 619,700 own stock. Average holdings: $232,000

★ Average household income: $52,600

★ Average net worth: $533,600

DIAMONDS

DIAMONDS
Why are ours cheaper than anyone else's?

We can prove a small owner-operated store, minimum overhead, allows sales on GIA Certified Diamonds well under any competition. Prices quoted.

(714) 494-6683
DAN MILLER JEWELRY
Laguna Beach, CA 92651

If you're buying diamonds—call us!

BOOKS & PERIODICALS

Own your own complete extended time
of fiction
non fiction and classics for the price of rental cassettes
Send $1.00 for catalog and full information to
box 13-S, south lee, mass 01260

Forbes: Capitalist Tool

AUTOMOBILES

'79 Cadillacs Cost Less In Detroit

Dalgleish Cadillac has the lowest sticker prices in the U.S.A.

Buy your new 1979 Cadillac in Detroit from Dalgleish, the closest dealer to the Cadillac factory

Before you buy any Cadillac, anywhere, anytime, call or see:

DALGLEISH CADILLAC
6160 Cass Ave., Detroit 48202
near the G.M. & Fisher Bldgs.
"Michigan's Largest Cadillac Dealer"
Phone (313) 875-0300
Call Norm Clements or John Pennington

SAVE HUNDREDS, EVEN THOUSANDS ON FOREIGN CARS! Audi, BMW, Ferrari, Jaguar, Mercedes, Porsche even Rolls Royce. Warranties included. Service in most states. **SEND $4.95 for EACH CAR QUOTED to EURO-AMERICAN COLLECTOR CARS INC.,** 5019 McKinney, Suite 105, Dallas, TX 75205. For faster response, call 800/527-7330 or 214/521-1615. Master Charge and VISA accepted for quotes and subsequent deposits on orders.

SAVE $$$$ ON NEW 1979 CARS
Buy at Detroit prices—save on freight, too! Full factory warranty. Call toll free (800) 521-7257 for computer printout price, or mail make & model to:

BONDED BROKERS
2547-S Monroe Blvd.
Dearborn, Michigan 48124
(313) 565-5577. Specializing in Lincoln, Mercury, Ford & other "Big 3" makes.

EMPLOYMENT OPPORTUNITIES

HELP WANTED SALES

Money Broker. Excellent Opportunity. Sales / management. Call Mr. Green.

Twentieth Century Finance
Toll Free 1-800-821-2658

MANUFACTURERS' REPRESENTATIVES

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE

Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available.

For information write:
Manufacturers' Agents' Newsletter
Dept. 178A, 23573 Prospect Avenue
Farmington, Michigan 48024

COMPUTER PROGRAMMING

MICRO-COMPUTER EXPERT PROGRAMMING CONSULTATIONS

I will design a system to your exact needs, or program your present system. Payroll, Accounts Receivable, Rent Rolls, Inventory, Stock Market, Checkbooks, General Ledger, even computer games.

Call (212) 981-5200

REAL ESTATE

Realty USA **HOUSE HUNTING**
or selling
Find out how fast and easy it real
can be! Write for our FREE booklet!
TAKING THE HASSLE OUT O
HOUSE HUNTING ... and how to se
your home for the right price fast
No obligatio
M
Name
Address
State

INTERSTATE 1 **RELOCATING**
CALL TOLL FREE FOR RELOCATIO
ASSISTANCE ANYWHERE!
800-325-3777
Realty USA® P.O. Box 57
St. Louis, MO 63

MONTANA RANCHES & FARM

FARM — 2,000 Irrigated Acres
pivot on Yellowstone River near
syth. One of the longest growing
sons in state. Recently develope
superb condition. We will arrang
and management. Many extras.

RANCH — Over 20,000 acres ju
miles from Billings — superb loc
— will handle 1000 animal unit
dry farm over 2,000 acres. This
old family ranch of excellent re
tion. Large hardworking family
lease back or manage. This is a
standing buy at $1,825,000.

Call or write for complete broc

HALL AND HALL, I
Box 1924, Billings, MT 5910
406-252-2155

FREE CATALOG

Big, Free Summer 1979 Catal
scribes and pictures more than
farms, ranches, acreages, recre
properties, businesses, town
country homes in 41 states co
coast! Please specify type and
tion preferred.

UNITED FARM AGENC
612-Y W. 47th
Kansas City, Mo. 64112

BUSINESS CONNECTI

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST

Top Finders Fees Paid
Finders Inquiry Invited
Write Box A158 Forbes
60 Fifth Avenue
New York, NY 10011

EXECUTIVE EDUCATI

COLLEGE DEGREES BY M

Bachelors, masters, doctora
Legal, inexpensive, fast.
Free details.

DR. JOHN BEAR
2150 Franklin Street, Dept.
Oakland, California 9461

SHARING THE SALVATION ARMY IS C

NESS OPPORTUNITIES

gbs

ERE'S BIG MONEY SMALL BUSINESS

n can join nearly 1,000 S business consultants who their own professional ctices offering vital man- ment services to small bus- s owners. $15,000 invest- nt fee covers complete ning, inventory, and local national technical support ices. Choice franchises are ilable in all fifty states.

For more information, call toll-free: (800) 821-7700 ext. 830
Or write for brochure:
Mr. Robert Turner
Vice President
General Business Services, Inc.
Dept. F-M-4
51 Monroe Street
Rockville, MD 20850

INDUSTRIAL NUFACTURING LICENSE

icensees now exist interna- ally. We seek only qualified icants who enjoy the allure manufacturing. Virtually petition-free business secured nachinery, training and long support. Investment of ,500 with financing avail- . Company scrutiny is con- rable and very much in h. We are also seeking mas- licensees for foreign coun- .

all or write, Mr. Faircloth
rth American Carbide Corp.
2950 So. Umatilla
Englewood, CO 80110
1-800-525-9496

MEXICO

ear estab. foreign media esentative seeking partner eventual take-over entire ation (present owner pro- ng new publication in Me- . Well equipped office. ll, competent staff. Exclu- representations. Top gov- ent and private sector ions. Reply Airmail: Apar- lo 57-018, México 5, D.F.

PITAL & INVESTMENT OPPORTUNITIES

ANT A TAX HAVEN?

idential Bank or Investment Accounts
rope
erve Your Capital Free From Prying & Tax Collectors
unts May Be Designated in Deutsch s or Swiss Francs as Protection From eciation of the Dollar
urity Transactions Made Through bers of the New York Stock Exchange
nums $250/Month for Savings Plan
$1000 for Currency Hedge Fund
$5000 for Investment Accounts

TFI, Dept. 1030
Box 5597, San Jose, CA 95150

BUSINESS OPPORTUNITIES

MATCH YOUR ABILITY WITH OPPORTUNITY

You are your own boss with Kwik-Kopy Printing . . . in business for yourself, but not by yourself. We provide site selection, training, start-up, and continuing support. Total investment is about $54,500 . . . $14,500 down, working capital of $5,000, long term financing on the balance.

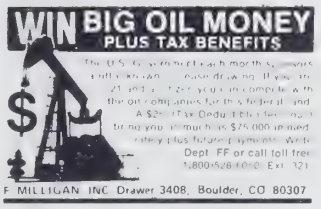
WRITE OR CALL TOLL FREE

Robert T. Johnston
Kwik-Kopy Corporation
5225 Hollister • Houston, TX 77040
TEX — 1-800-392-6488
US — 1-800-231-4542
Except Alaska & Hawaii

Kwik-Kopy PRINTING — IFA International Franchise Association

UNIQUE BUSINESS OFFERING

One of the nation's finest and fastest growing corporations in the Personal and Professional Development Industry is selectively seeking independent distributors to own and operate a Performance Improvement Business full or part-time. Our systems offer proven, measurable results. National and Regional training and support. Excellent income potential. No Franchise Fee. $3840 required investment for start-up materials. Call toll-free 1-800-543-3000 (In Ohio 1-800-582-1364) Ask for Operator 200. Or write:
THE PERFORMANCE GROUP INC.
2880 LBJ Freeway, Suite 307
Dallas, TX 75234



F. MILLIGAN, INC. Drawer 3408, Boulder, CO 80307

MAIL ORDER OPPORTUNITY

Start profitable home business in America's fastest growing industry. Nationally known authority teaches you. No previous experience; no product investment. Write for free book, case histories of successful members, plus complete details. No obligation.

MAIL ORDER ASSOCIATES
Dept. 766, Montvale, NJ 07645

BUSINESS SERVICES

WHO IS YOUR LEGAL TAX AVOIDANCE SPECIALIST

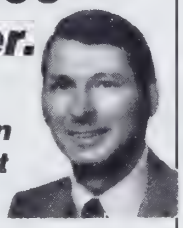
Individuals and businesses MUST PLAN NOW to reduce 1979's tax bite. Consulting staff composed of expert Estate Planners, legal and Tax Counsel will discuss your optimum tax benefits. We utilize 250 legal, IRS-APPROVED tax avoidance strategies computer-programmed to meet your particular individual and/or business needs. Inquiries about funding sources for construction of medical/dental facilities equipment financing and leasing and consulting services encouraged.

Call Randy Porges or Alan Skolnik
Porges & Skolnik 212/760-8813/38

BUSINESS OPPORTUNITIES

(Advertisement)

Wage Earner $33,900 Richer.



Wins 3 times in U.S. Gov't Lottery

NEW YORK, N.Y. (Special)—When Phil Donaldson collected $9,900 he was amazed. When he won the second time a few months later—another $24,000—he was astounded. This lucky Michiganian pocketed $33,900 and could collect thousands more in royalties—month after month for years. You could, too, in the little known U.S. Gov't Lottery. Every month nearly 1000 Americans win valuable oil rights to public lands in oil-rich states for just $10.

The odds are much better than state lotteries—and when you sell your lease you're assured a cash payoff plus additional royalty rights. Any U.S. citizen over 21 may enter giving you the same chance to win as Gulf, Exxon, Shell, etc. It costs nothing to get details, entry cards, etc. Send name and address to **Energy Group of America, Dept.** FO479, Empire State Bldg (Suite 3308) New York, NY 10001.

13,000,000 MEN WILL RENT A TUXEDO IN 1979

Our youth oriented business is growing . . . we're up 21% over last year. WHY? We have modernized the formalwear rental industry! Proms and formal weddings are more popular today than ever. This high ticket ($35-$45) . . . high percentage gross and net profit business can be yours without any previous knowledge. We train, finance & support you with in-store assistance and national advertising. 141 Franchisees are convinced! CAN WE CONVINCE YOU? Call collect:
(312) 236-2333 . . . GINGISS INTERNATIONAL, Dept. A7980
180 N. La Salle Street
Chicago, IL 60601

MINIATURE GOLF

MINIATURE GOLF — INDOORS & OUTDOORS

MINIMUM INVESTMENT MAXIMUM PROFIT!

WRITE TO Lomma ENTERPRISES INC.
Phone (717) 346-5559 Dept. 74
Lomma Building, Scranton, Pa. 18503

EXECUTIVE GIFTS

An Alternative To The $21 Button Down Ours...$14.

100% COMBED COTTON OXFORD BUTTON DOWN

Finest traditional design and tailoring
Seven button front, placket sleeve, left breast pocket, double reinforced side seams and sleeves
Your satisfaction guaranteed
Blue or White Sizes 14½-17½/32-35

Huntington Clothiers
2206 BRYDEN RD • COLUMBUS OHIO 43209

Please send me 100% cotton shirt(s) @ $14.00 ea
Add $1.75 for shp & ins regardless of quantity
Ohio Res add 4% sales tax

Size — White Qty — Blue Qty

☐ Pers Ck ☐ Mstr Chg ☐ Visa ☐ Am Exp
Card No
Exp Date Mstr Chg Bank No
Signature
Name
Address
City
State Zip
FF

BAIT-OF-THE MONTH CLUB®

An ideal gift! Make yourself or someone else happy. We send a unique fishing lure each month for a year with your name shown as sender. Send your friend's name and address with $29.95 or your MC or VISA # and exp. date. Write for quantity discounts.

MIDCO SUPPLY Dept. B
Box 177, Middletown, OH 45042
513-422-2061

INVESTMENT NEWSLETTER

$1

could help bring you bigger stock market profits in the year ahead. Send us $1 and we'll mail you our new report, INVEST PROFITABLY THROUGH DAILY MARKET TIMING. This report includes many tips on how to accurately anticipate daily price trends using easily obtainable data from your local newspaper. In addition, you will also receive, free of charge, the next four issues of our weekly, 10-page market letter, WALL STREET NAVIGATOR, covering the latest economic and technical details of the stock market. Don't delay, send today for this potentially profitable investment offer. (Only one request per household, annually.) Mail this ad and only $1.00 to:

STOCK MARKET APPRAISAL, INC.
P.O. Box 355, Stapleton Station
Staten Island, New York 10304

June reared that bunch of
flowers you carry
from seeds of April's sowing.
ROBERT BROWNING

He is my friend, that succoreth
me, not he that pitieth me.
THOMAS FULLER

The greatest revolution of
our generation is the discovery
that human beings, by changing
the inner attitudes of their
minds, can change the outer
aspects of their lives.
WILLIAM JAMES

Many men spend their lives
in gazing at their own
shadows, and so dwindle
away into shadows thereof.
AUGUST HARE

I must accept life
unconditionally. Most people
ask for happiness on condition.
Happiness can only be felt if
you don't set any condition.
ARTUR RUBINSTEIN

It is an absolute perfection
to know how to get the very most
out of one's individuality.
MICHEL DE MONTAIGNE

To be worth anything, character
must be capable of standing firm
upon its feet in the world of
daily work, temptation and trial.
SAMUEL SMILES

Before an egg can grow into
a chicken, it must first
totally cease to be an egg.
Each thing must lose its
original identity before it
can be something else. Therefore,
before a thing is transformed
into something else, it must come
to a level of no-thingness.
PERLE EPSTEIN

The significance of man is that he
is insignificant and aware of it.
ERNEST BECKER

Thoughts on the Business of Life

When you cease to dream
you cease to live

Everybody has to be somebody
*to somebody to be anybody.**
MALCOLM FORBES

One kind word can warm
three winter months.
JAPANESE PROVERB

I believe in the possibility
of happiness, if one
cultivates intuition and
outlives the grosser
passions, including optimism.
GEORGE SANTAYANA

See everything. Overlook a
great deal, improve a little.
POPE JOHN XXIII

Only the shallow know
themselves.
OSCAR WILDE

We cannot easily discover our
real character from a friend.
He is a mirror, on which the
warmth of our breath impedes
the clearness of the reflection.
JEAN PAUL RICHTER

We forfeit three-fourths
of ourselves in order to
be like other people.
ARTHUR SCHOPENHAUER

*The Sayings of Chairman Malcolm, *a collection of over 500 thoughts embodying the wit and wisdom of Malcolm Forbes. Now available at $5.95. Send check and order to Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.*

Ye who fear death, remember
April with its swords of
jade on a thousand hills.
JOHN RICHARD MORELAND

The beautiful! It is beauty
seen with the eye of the soul.
JOSEPH JOUBERT

And the heart that is
soonest awake to the flowers
is always the first to be
touched by the thorns.
THOMAS MOORE

Imagination makes a much
better friend thán enemy.
ARNOLD GLASOW

I have learned this at least
by my experiment: that if one
advances confidently in the
direction of his dreams, and
endeavors to live the life
which he has imagined, he
will meet with a success
unexpected in common hours.
HENRY DAVID THOREAU

A Text . . .

Unto the pure all
things are pure.
TITUS 1:15

Sent in by M. Walsh, Willoughby, Oh
What's your favorite text? The For
Scrapbook of Thoughts on the Business
Life is presented to senders
texts used

Beauty is rather a light that
plays over the symmetry of thin
than that symmetry itself.
PLOTINUS

The silence of the place was like
a sleep, so full of rest it seemed.
HENRY WADSWORTH LONGFELLO

The true test of being
comfortable with someone else
is the ability to share silence.
FRANK TYGER

When a car is built well it shows.

here's a lot of news in lds today.

In a day and age when people are paying upwards of $25,000 for a luxury car, the 1979 Oldsmobile Toronado is indeed a value.

Whether you compare it to cars de in this country or any other, 'll find Toronado offers very impressive features. Like a Citroen, Toronado has front-wheel drive. Like a Mercedes, it has diesel availability. And like many of the world's other fine road cars, Toronado has a plush interior. Velour is standard. Leather seating surfaces are available.

Toronado would be a value even if it were priced as high as these world cars. But it isn't.

With Toronado, your dollar buys the luxury you want. Especially this year. Toronado has more standard features than ever before. Many of which are standard on only a very select group of cars. Domestic or imported.

The 1979 Toronado. Bought or leased, it is solid proof that elegant values still exist in the world.

Test drive one today.

Oldsmobile

The all-new Toronado

Have one built for you.

From "pole" to "pole," Brazil is reaching new heights in petrochemicals. With the help of worldwide Citibank.

Towering distillation columns highlight a new petrochemical complex—or petrochemical "pole," as it is called in Brazil—that is one of the largest simultaneously planned and constructed chemical installations in the world.

It is the second such pole built in Brazil—and the forerunner of a third. Purpose: to cut Brazil's dependence on petrochemical imports, by making raw materials available for products ranging from plastics and pharmaceuticals to fibers and fertilizers.

"We look to Citibankers...for innovative financing approaches."

Under a creative financing formula that coordinates participation by public and private sources of funds, both Brazilian and non-Brazilian, Citibank has provided substantial financing for the new $3-billion complex.

Says Otto Vicente Perroni, President of Petroquimica do Nordeste S.A.—known as COPENE, and the major component company within the complex: "We look to the Citibankers we work with not simply for funds, but for knowledgeable and innovative financing approaches."

At COPENE's Camaçari site: President Otto Vicente Perroni (right), with Citibank Vice President Robert E. Cushman.

"Citibank has actively participated"

Adds Citibank Vice President Bob Cushman: "For more than sixty years Citibank, with eleven branches throughout Brazil, has actively participated in the country's development, providing both funds and financing expertise."

To customers large and small, multinational, regional or local, Citibankers bring the resources and facilities of a leading international ba

They bring, also, a commitment shared by Citibankers everywhere: work with dedication toward the economic good and growth of ev area Citibank serves, worldwide.

CITIBANK

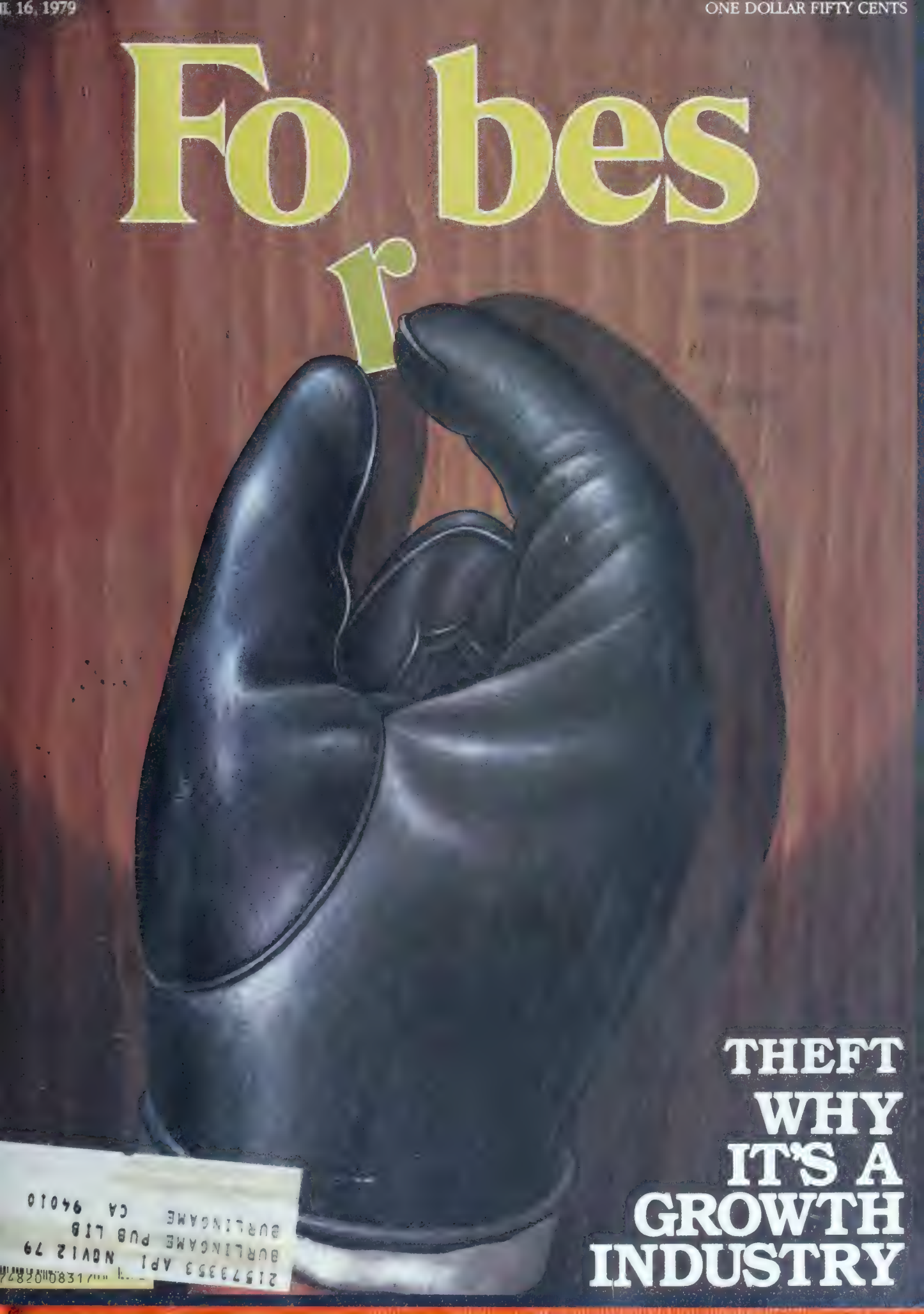
A subsidiary of Citicorp

ll. 16, 1979

ONE DOLLAR FIFTY CENTS

Fo bes

r



THEFT
WHY IT'S A GROWTH INDUSTRY

21573353 API NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

FIRE–
THE POWERFUL SERVANT
WE NEED MORE
EVERYDAY
Fire does much more than keep us warm. As our most widely used form of energy, fire makes our metals, chemicals and plastics; refines our petroleum; propels all our internal combustion engines and produces most of our electricity.
St. Joe is a large and growing basic source of fuels for fire. We are one of the largest coal producers in the U.S. and have a growing position in oil and natural gas. We are continuing to increase our capacity and reserves of all these fuels through development of production facilities and worldwide exploration. Our projected capital expenditures for 1979-83 include $431 million for oil and gas, $303 million for coal and $237 million for non-ferrous metals.
For more information, including a timetable of our specific plans for growth, write to Dept. 4 for our annual report.
ST.JOE
MINERALS CORPORATION
A BASIC SOURCE
250 Park Avenue, New York, New York 10017
COAL • OIL • GAS • LEAD • ZINC • ZINC OXIDE • ZINC DUST • CADMIUM • IRON OXIDE

STEADY AHEAD.

BURLINGAME
APR 4 1979
LIBRARY

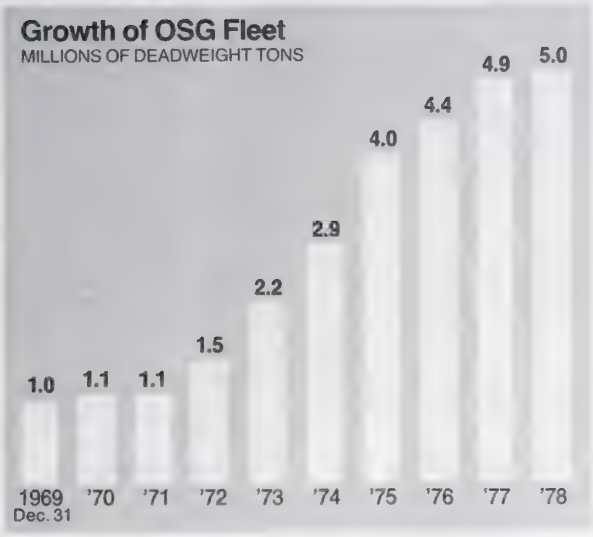
With one of the most modern and efficient fleets afloat, OSG transports oil, iron ore, coal, grain and other bulk commodities to ports around the globe.

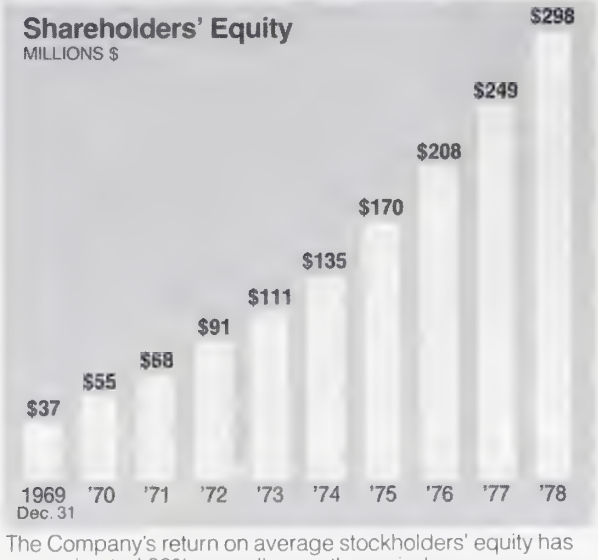
OSG is the only public company engaged exclusively in bulk shipping in both the U.S. and worldwide markets.

In 1978, the Company's net income exceeded $54 million. Since 1969, earnings per share have grown at a compounded rate averaging over 20% annually.

Our ability to sustain a steady growth in earnings has been due primarily to a chartering policy strongly favoring medium- and long-term contracts, and to continuing fleet expansion. Over the past nine years, our fleet has increased from 1,000,000 to 5,000,000 deadweight tons.

We would be pleased to send you a copy of our 1978 Annual Report containing a description of our industry and detailing the results of our operations.





The Company's return on average stockholders' equity has approximated 20% annually over the period.

OSG Overseas Shipholding Group, Inc.

The Bulk Shipping Company

New York Stock Exchange Symbol: OSG

1114 Avenue of the Americas, New York, N.Y. 10036/Tel: (212) 869-1222

Forbes

April 16, 1979
Volume 123, Number 8

Companies: Once merely an also-ran to Master Charge, Visa has now surpassed it. Its next target, American Express, will be a lot tougher. **43**

As I See It: How does George Shultz, Renaissance man of the Nixon cabinet, feel about the Carter Administration? In a word: "Tense." **48**

Cover Story: At an estimated $44 billion a year, theft is now as big a business as the U.S. steel industry—and growing a lot faster. **55**

The Money Men: Wall Street's herd instinct is nothing compared with the Japanese brokerage houses—except for Loeb Rhoades, Hornblower's Tokyo operation. **66**

Switzerland: Zurich money men are nibbli again at U.S. stocks. view of their track reco is that good? **128**

Features

France: *A Cri d'Angoisse.* The steel crisis that burst into violence in Lorraine and Paris last month has been building for decades. **45**

Real Estate: *Washington's Bureauboom.* Real estate is a great business in the nation's capital. **46**

Companies: *Supercompany.* A few years ago George Mead thought the magazine business was a "dead duck." Its stunning comeback has made Mead's little Consolidated Papers superprofitable. **70**

Aviation: *Showing The Tricolor.* The Concorde may be a supersonic white elephant thus far, but France's state-owned aircraft company is whirling along merrily in the helicopter business. **75**

Companies: *You Gotta Believe.* Ingersoll-Rand does. But its faith has been sorely tried. **81**

The Streetwalker: *How High Is High?* Oil-in-the-ground companies may be to 1979 what the gambling stocks were to 1978. ..... **87**

Companies: *Discounting With A Difference.* Now that even the department stores have jumped on the bandwagon of "specialty retailing," Melville Corp.'s Frank Rooney, its high priest, is off on something else. **93**

Tenders: *Wanna Buy A Bridge?* Here's a takeover off the beaten path: An international toll bridge. **99**

The Up-And-Comers: *The Breakthrough Point.* How Pall Corp. successfully passed it. **100**

Companies: *Up From The Ashes.* Roy Ash calls it "changing the corporate culture." What it means is trying to rejuvenate stodgy old Addressograph-Multigraph. **104**

Companies: *Pay 'n Save Grows 'n Grows.* With lavish incentives to its managers, this Seattle-based regional drug chain ranks first in the FORBES yardsticks for growth over the last five years. **110**

Pension Funds: *Running Harder.* The banks can't take anything for granted anymore. **116**

Pension Consultants: *"They Are Scaring The Hell Out Of Us."* 1

Statistical Spotlight: *Return Of The Golden Ones.* A sequel to our 1978 Most Likely To Succeed. 1

The Banks: *Every Man For Himself.* Competing with Sears, Roebuck doesn't frighten Citicorp and BankAmeric nearly as much as it scares some smaller banks. 1

Companies: *Avon Walks The Tightrope.* Keeping the Avon lady happy while planning for the future. 1

Faces Behind The Figures

Ernest M. Wuliger (Ohio-Sealy Mattress Manufacturing Co.)
Shigeru Okada (Mitsukoshi Ltd.) 1

M. Richard Asher (CBS Records International)
Robert Yung (Steyr Daimler Puch) 1

Money And Investments

The Economy: Are booming auto sales feeding inflation? Not as much as many think. 1

Columnists

Ben Weberman **152**
Heinz H. Biel **154**
John Train **156**
Ann C. Brown 1
Thomas P. Murphy 1
Martin T. Sosnoff 1

Departments

Side Lines **6**
Trends **10**
Follow-Through **16**
Readers Say **27**
Fact and Comment 3
Other Comments 3
Editorial Index 1
Thoughts 1

Credits: **Photos**—pp. 6, 116, 148 bottom, Bill Kelly; p. 10, DeWys; pp. 16, 87, Ray Fisher; 43, John McDermott; p. 45, Wide World; pp. 48, 93, 142, John Chang McCurdy; pp. 50, UPI; pp. 56, 57, Simpson Kalisher; p. 58, Art Institute of Chicago; pp. 62, 147 top, Pagnano; p. 66, Kaku Kurita Liaison; p. 70, Bill Rogers; p. 75, Lawrence Minard; p. 81, Morsch; pp. 94, 100, 117, Mike Evans Liaison; p. 99, J. Edward Bailey; p. 104, Jan Caccavo; pp. 110, 114, 118, Doug Wilson/Black Star; p. 120, Art Shay; pp. 128, 131, Y Debraine/Black Star; p. 147 bottom, Ed Nano; p. 148 top, Bob Satter; **Charts**—pp. 44, 47, Andrew Christie Matrix Design

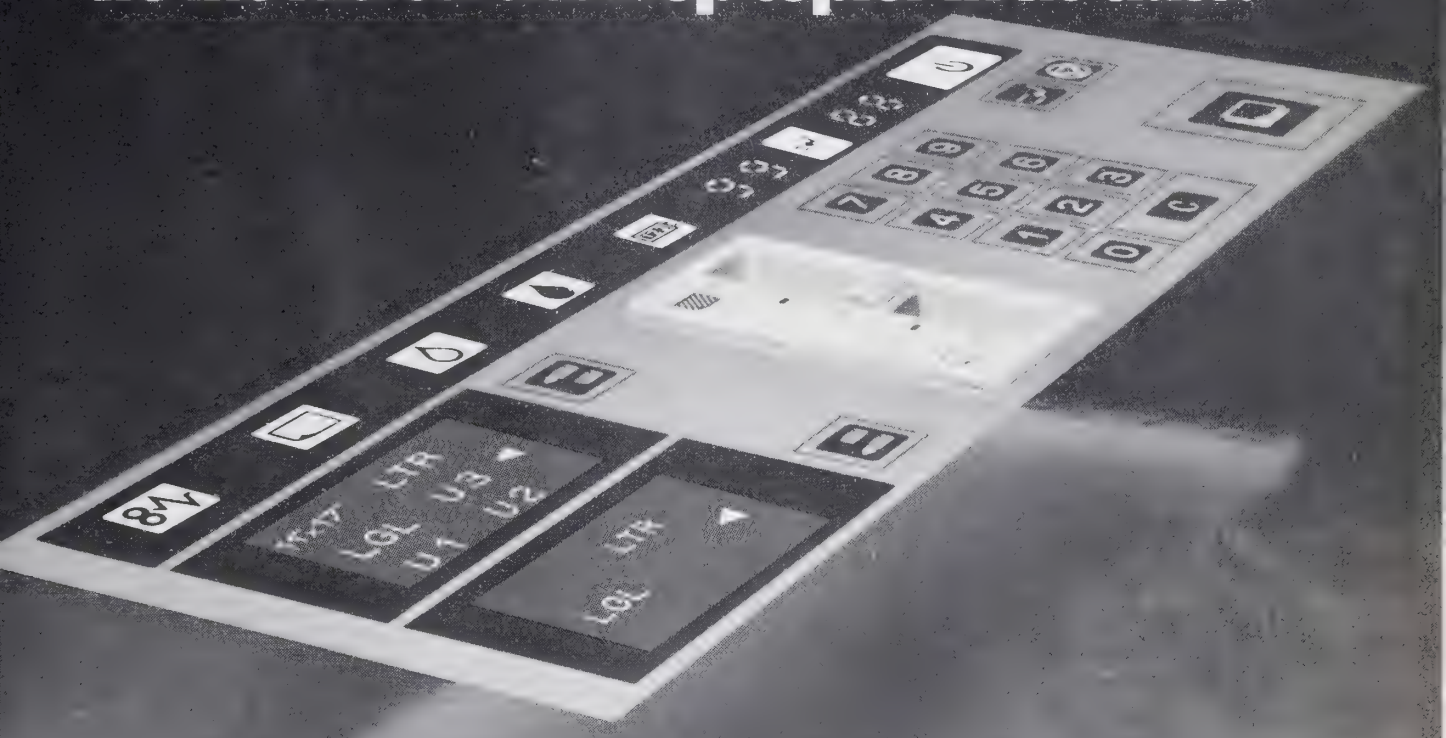
Cover Illustration: Mark Hess

Design Consultant: Peter Palaz

Forbes (ISSN 0015 6914 is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N 10011. Second-class postage paid at New York, N.Y. and at additional mailing offic Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Av New York, N.Y. 10011. Copyright © 1979 Forbes Inc.

THE AGE OF MICRONICS IS HERE.

At 32 copies per minute, it's the fastest desktop copier in its class.



Canon proudly announces its premier duct of the Age of Micronics. The incredi- NP-80.

What is micronics? It's a combination of ce-age technology and our own engineer- /optics/electronics expertise. And what s that mean for you? High quality copy- is made easier, more efficient, and sig- cantly faster.

32 Copies Per Minute. With a running ed of under two seconds per copy, the -80 is the fastest desktop copier in its ss. What's more, there is no warm-up or ting time. Your first copy is ready in only seconds.

Micro-Computer Control. But you get re than just speed. The NP-80's built-in cro-Computer controls several features signed for convenient, reliable opera- n. It actually monitors the entire copying cess, taking operational adjustments off ur hands.

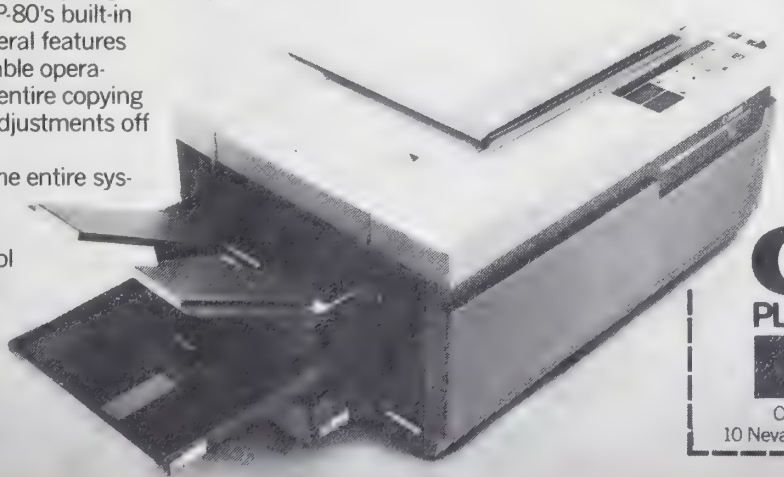
Sensor Control Panel. The entire sys- n responds to your mmands through a touch nsor smooth-surface control nel. A bright digital display es you all the copy ormation you ever ed.

Interrupt Function. great for squeezing short s in the middle of a long copy run. The computer memory keeps track of your original long run copy count after your short job is completed and automatically returns to the original paper size.

Double Cassette Paper Supply System. Switch paper size instantly! You can keep two paper sizes (up to 700 sheets) loaded at all times.

And other benefits keep on coming. The NP-80 automatically shuts itself off thirty-six seconds after your last copy run. A unique seamless CdS drum is designed for more speed and longer drum life. And a new roller developing system uses less developer toner to produce completely dry, superior quality copies.

The NP-80 is fast becoming the ultimate plain paper copier. Don't be the last person in your business to enter the Age of Micronics. Find your authorized Canon copier dealer in the Yellow Pages. Or mail in the coupon below.



Yes, I'd like to enter the Age of Micronics.

☐ Please send me more information on the NP-80.

☐ Please send me the name of my nearest authorized Canon copier dealer. F4

NAME _____

TITLE _____

COMPANY _____

ADDRESS _____

_____ CITY _____

STATE _____ ZIP _____

TELEPHONE _____

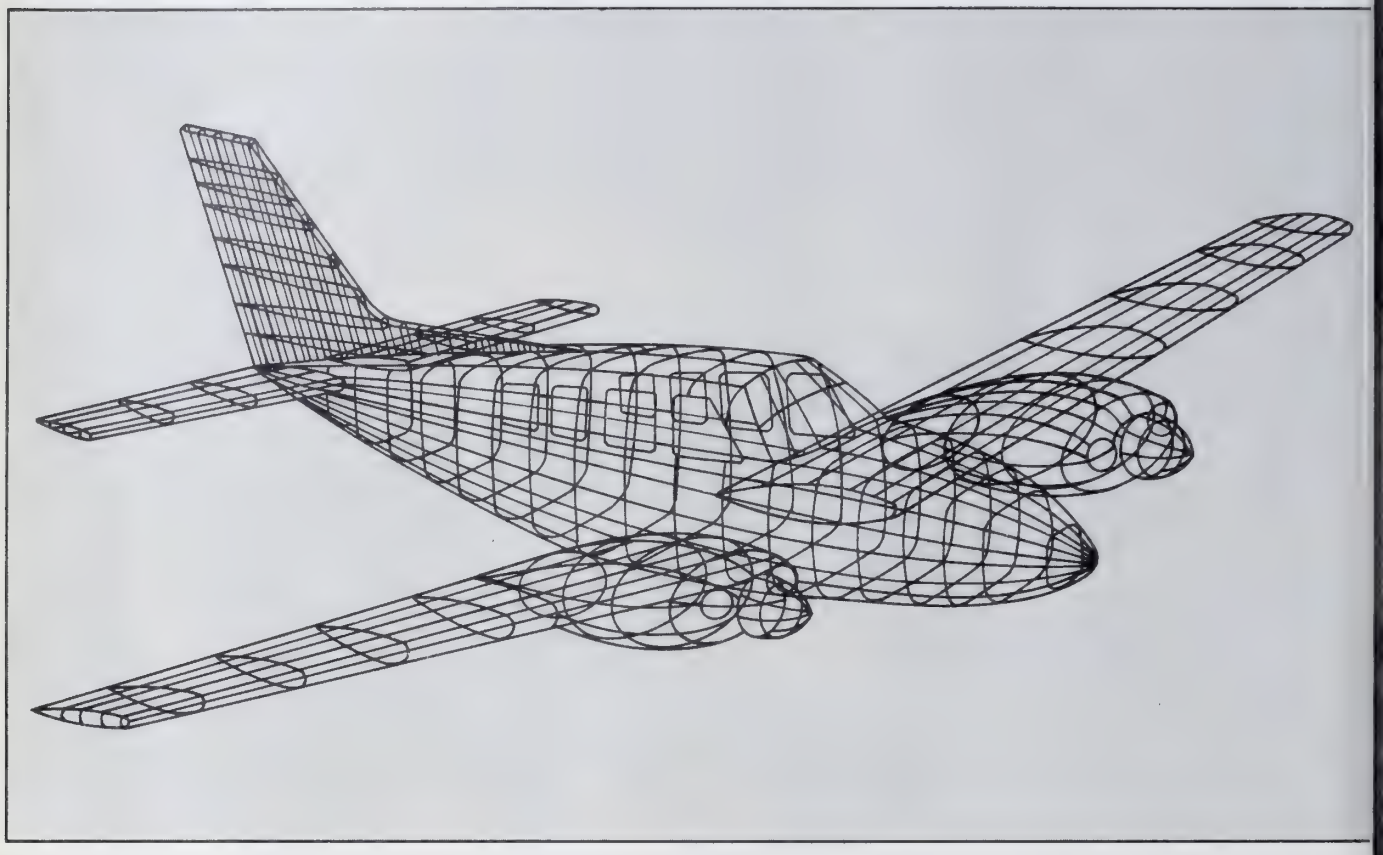
Canon®

PLAIN PAPER COPIER

NP-80

CANON USA., INC. Copier Division
10 Nevada Drive, Lake Success, New York 11042

A little insight into what makes Beech Aircraft fly.



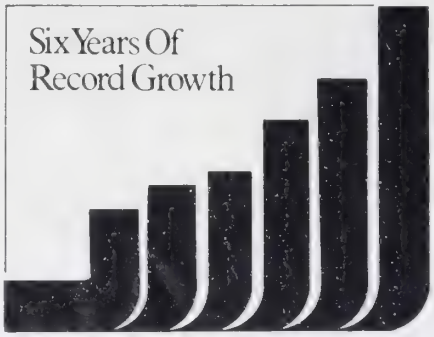
Glance at the surface of Beech Aircraft, and you'll see this: A company that's had six consecutive years of record growth in both sales *and* earnings. A company that ranks 29th in growth in a *Forbes* study of America's 1,006 largest corporations. And a company that began fiscal year 1979 with its best first quarter ever.

Take a look beneath the surface, though, and you'll see just how we've achieved this remarkable record.

To begin with, you'll see the wide range of products we build. Everything from 2-place, 120 mph training airplanes, to 15-seat, 300 mph corporate transports, to environmental systems for the Space Shuttle Orbiter.

Next, you'll discover that into into each of these products we build the kind of meticulous quality you can see and feel.

And last, you'll see that we've engineered our company with the same attention to detail, stability, and performance that's gone into the engineering of our airplanes.



	1973	1974	1975	1976	1977	1978
Net sales	$204 6	$241 6	$267 1	$346 9	$417 4	$527 5
Net income	$10 0	$12 4	$15 6	$20 6	$25 4	$35 5
Dividends	$3 1	$3 6	$4 4	$5 3	$7 0	$8 3

All figures in millions

Through the years, it's helped us be in the right place, at the right time, with the right product.

For example, in the early '60s, most general aviation manufacturers were developing jets We chose to develop jetprops in stead, because of their fuel effi ciency. Today, in a highly energy conscious marketplace, our jet prop King Airs outsell all busi ness jets combined. And they out sell all competitive jetprops by more than 2 to 1.

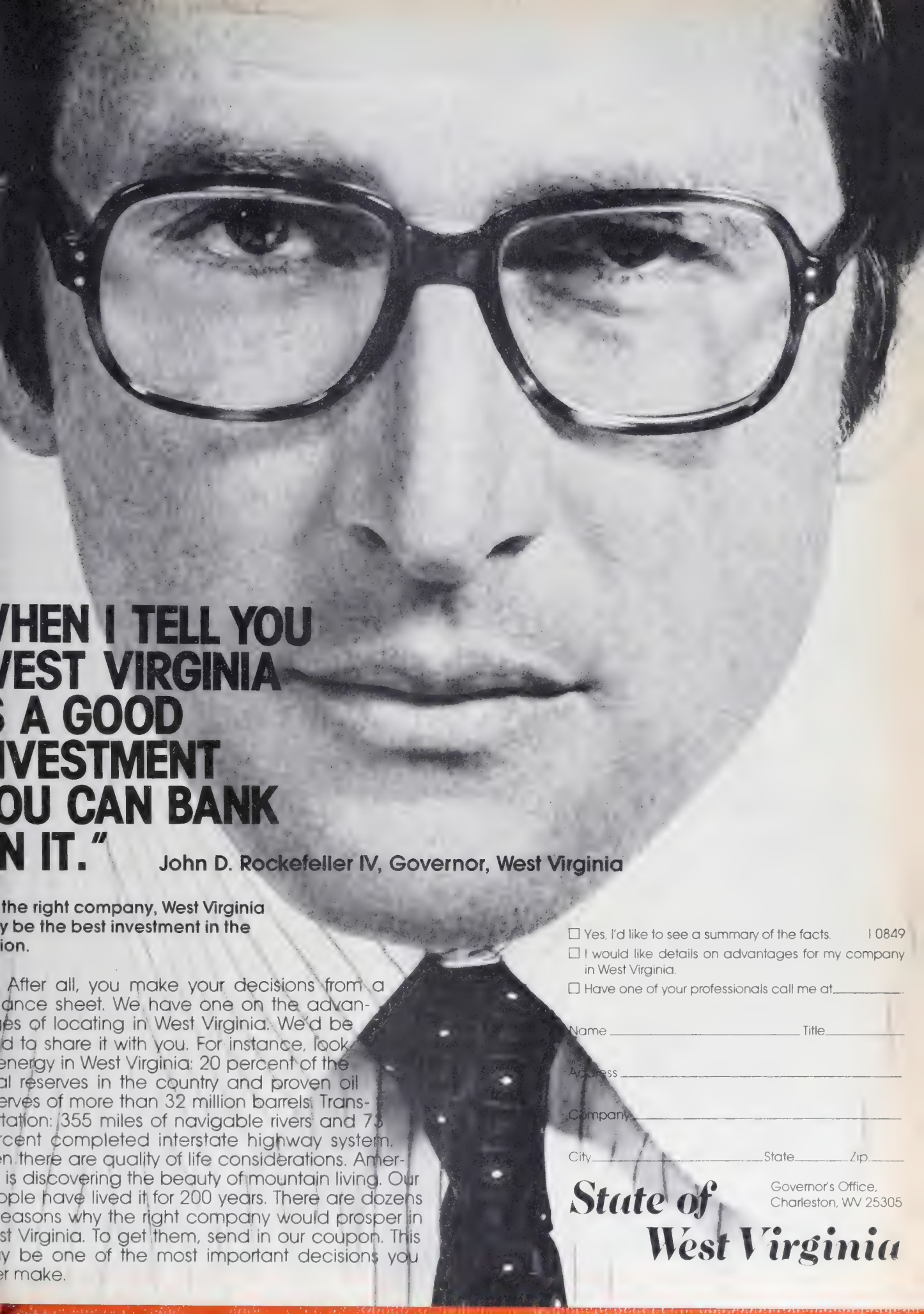
Quality products. Quality man agement. To us at Beech Aircraft it's the only way to fly.

For our complete growth and earnings story, write for a copy of our annual report to: Beech Air craft Corporation, Dept. K, Wich ita, Kansas 67201.

Beech Aircraft Corporation

Beechcraft

Beech builds quality airplanes. And vice versa.



VHEN I TELL YOU VEST VIRGINIA S A GOOD IVESTMENT OU CAN BANK N IT."

John D. Rockefeller IV, Governor, West Virginia

the right company, West Virginia y be the best investment in the ion.

After all, you make your decisions from a ance sheet. We have one on the advan- es of locating in West Virginia. We'd be d to share it with you. For instance, look energy in West Virginia: 20 percent of the al reserves in the country and proven oil erves of more than 32 million barrels. Trans- tation: 355 miles of navigable rivers and 7 rcent completed interstate highway system. en there are quality of life considerations. Amer- is discovering the beauty of mountain living. Our ople have lived it for 200 years. There are dozens easons why the right company would prosper in st Virginia. To get them, send in our coupon. This y be one of the most important decisions you r make.

☐ Yes, I'd like to see a summary of the facts. I 0849

☐ I would like details on advantages for my company in West Virginia.

☐ Have one of your professionals call me at_____.

Name _____ Title_____

Address _____

Company_____

City_____ State_____ Zip_____

State of West Virginia

Governor's Office,
Charleston, WV 25305

Forbes

Editor
JAMES W. MICHAELS

Managing Editor
SHELDON ZALAZNICK

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr.
Contributing Editor: Richard Phalon
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Ellen Melton, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Gallucclo
Reporters: Brian McGlynn, Betty Franklin, Steven Solomon, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief, Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor; Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver
Washington Bureau: Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Elizabeth Bailey, Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager, Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Theodore Smith, Assistant Directors; Nikki Frost, Philip Gefter, Photo Researchers
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelnick
Photocomposition: James Cianelli, Manager; Vincent Loccisano, Assistant; Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Latamotis; Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
MALCOLM S. FORBES

Publisher
JAMES J. DUNN

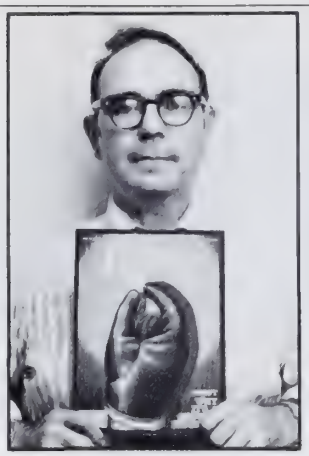
Executive Vice President
LEONARD H. YABLON

Vice President and Secretary: Malcolm S. Forbes Jr.
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; Arnold J. Prives, Fin'l Adv. Mgr.; George C. Chssold; Donald W. MacDonald; G. Croft Henry; Charles S. Thorn; John A. Wilson; Richard Calkins; James W. LaCrignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Manager
Chicago: 435 N. Michigan Ave., 60611, Richard W. Reynolds, Manager.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Manager William R. Arnold, Co-Dir. Spec. Proj
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 5900 Wilshire Blvd., 90036, Robert L. Kimmerle, Manager
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager
Classified: Sarah Madison 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-620-2200

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines



Contributing Editor Phalon

Crime without punishment

A professor's 12-year-old son and two of his younger classmates were recently caught stealing candy from a supermarket. The manager apprehended them, got their names and after sending them home called the professor's wife. The boy received a sharp reprimand, after which he ran to his room, crying. An hour later when his mother went to talk with the boy, he blurted out: "It's all your fault; you're too permissive." It is hard to answer the child. Modern Americans are being taught that their misdeeds are not their fault; it is the system, whatever that is, or their parents or schoolteachers who are to blame.

In researching the cover story, *The game where nobody loses but everybody loses*, which begins on page 55, Contributing Editor Richard Phalon found a corresponding indifference to the epidemic of nonviolent theft which is afflicting our society. Almost every lawman interviewed seemed as frustrated by the public's increasingly casual view of crime as by the law's own inability to cope with the alarming rise in property cr Criminologist Marilyn Walsh, for ex ple, talks of the "demoralization" o city burglary squads that are founde under the weight of tumescent loads. In some jurisdictions, the case is so heavy that investigations are "The police are being reduced to the l of clerks," said one official. "All you is some hand-holding and three piec paper—one for the police files, one your files, and one for the insur company."

In New York City Phalon found lawman who had recently been rippe himself. The official came downstairs morning to find that somebody broken into the 1977 Ford van he parked in front of his apartment buil the night before and had taken the front seats. "They had to work at get those seats out in full view of any sersby, and God knows how many ap ment windows," the lawman said. "T knew that nobody who saw them going to say a word." To paraphrase w the little boy said to his mother: We becoming a very permissive society.

Dial-a-gnome

If a Swiss banker jumps out the window, Voltaire is supposed to have said, follow him at once: There is 10% interest to be made in the process. That probably overrates Swiss bankers' judgment, but clearly they are discreet, efficient—and their currency is the soundest around. An ideal combination for rich depositors like Iran's deposed Shah, who is rumored to have $16 billion socked away in Alpine security. Over a four-day visit with nearly a score of Switzerland's top investment advisers, FORBES Associate Editor Paul Sturm *(see story, p. 128)* discovered a less-well-known attribute: their surprising accessibility. Teleph Swiss Bank Corp.—nearly as large New York's Manufacturers Hanov and the switchboard will gladly straight to the desk of a senior president.

But despite the absence of PR men, gnomes know when to keep m Though most Swiss banks have ul modern computer systems, they o skip written statements entirely. "S pose you live in some Latin Ameri dictatorship," explains one Zurich p folio man. "Do you want a fat bro envelope from Zurich in your mail every month?"

How to Cut Your Income Tax to Zero

Tax law says you don't have to pay taxes — even if you earn between $15,000 to $35,000 or more!

Nobody likes to pay taxes. And the tax laws in this country say you don't have to.Most people think that the wealthy are the only ones who can save thousands of dollars each year on their taxes. But anybody with an average income can take advantage of the tax law.

In the next 12 months you can reduce the amount of federal and state taxes you pay, to almost nothing.

Let me explain exactly what I mean. Tax shelter's nothing more or less than taking advantage of the tax laws that were put there for a reason. The reason is to help you and motivate you to invest so you will help the economy of the United States. (Your investment doesn't have to be cash, either. It can be just a bit of your time.)

The key to saving on your taxes is a little thing called "depreciation". You see, the U.S. Congress years ago decided that depreciation on certain kinds of properties could be deducted from your taxable income. (Depreciation in theory means, that your property goes down in value because of physical as well as functional deterioration.)

So now, even if your income is only 15,000 to $35,000 a year, you can quite easily acquire enough property with enough depreciation that your tax bill is zero or close to it. And you can buy those properties without any cash of your own. Read on and you'll see how.

Here's a simple example: If you bought a duplex for a total of $75,000 and bought it entirely with someone else's money — and I'll show you how to do that in a minute — how much depreciation and tax savings would that give you.

Let's say you rented your duplex out for $800 per month and you have to pay back your loan of $75,000 in 30 years with 10¾% interest. Your monthly payments would now be $700.11, leaving you with $100 to pay for taxes, insurance and other expenses. (The $75,000 loan would self liquidate by the rent you'd receive)

Now here comes the good news. This property would give you approximately $6,250 in depreciation. Your $6,250 could be deducted from your taxable income. How's that for a deduction!! That's without any cash investment on your part.

But that's not all. If you are now making $20,000 a year, instead of paying $3,999 that you would normally pay, you now pay only $2,229. That's a nice little chunk of money to get back after you file your tax return.

If you bought two properties just like the one above, your tax would be only $710.

But that's still not all. By using your cash rebate wisely, you can improve the value of your $75,000 property by 10% to 35%. How? By making the right kind of inexpensive improvements, which will allow and justify an increase in rent by 10% to 35% or more, which of course will increase the value of your property by a like amount. (And I do know what I'm talking about here, as I've been doing this for a number of years with millions of dollars worth of property.)

Now that your $75,000 property is worth more, you could sell it and pocket your profit, but there's a smarter and wiser step to take. Don't sell it, keep it. Why? Because of the tax shelter it's giving you. (If you need the cash, you might go ahead and sell it anyway, or better still, get a second mortgage on the new equity you created and keep the property and all the benefits it's giving you.)

You see, now you've got that tax shelter every year. What do you do now? Go out and repeat the process if you want more shelter. If your income is $30 - 40,000, you'll want to repeat the process several times until the point that your tax liability is zero or close to it.

It really is a great deal — you not only save thousands of dollars each year in taxes, but your net worth will be climbing rapidly. (Both because you are improving the property and as a bonus, your property is moving up in value ($7,000 to $8,000 each year)just because of that thing called inflation.)

But wait a minute, you say! How do I buy a property using other people's money without using any of my own? Well I thought you might ask that, so I'm ready with the answer.

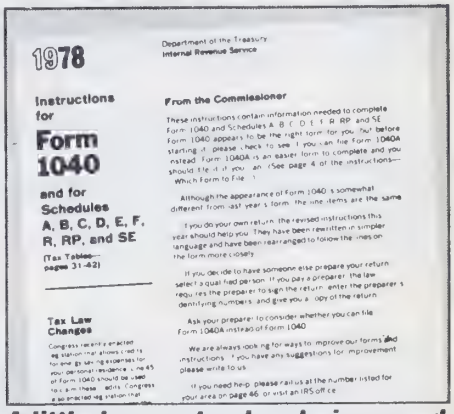
In fact, I wrote a complete book about it. Now don't get upset and stop reading now! I know most books written on tax shelter and the buying of income property are fairly difficult, complex and confusing, but mine is not. I wrote it in language which anyone can understand and I know it works, because I've done it myself. In just 48 months I netted over one million dollars and paid less taxes in those years than the guy that makes $20,000 a year.

Tax shelters are nothing more or less than taking advantage of the tax laws that were put there for a reason.

So now here comes the sales pitch! I want you to stop paying so blasted much in taxes. Not because I'm trying to start a tax revolution, but because tax laws are there that allow you this privilege

Oh, yes, and I want to sell copies of my book, *HOW TO WAKE UP THE FINANCIAL GENIUS INSIDE YOU!* This will not only show you how to save thousands of dollars on your taxes (or even reduce them to nothing) but it also will show you how to build a very large networth of several hundred thousand dollars or even several million dollars or add $500 or $1,000 to your monthly paycheck.

Now, if you can't quite believe everything I've said (I don't really blame you. Most people, including myself, are basically skeptics.) then I would encourage you to check me out. Call or write my bank (Utah First Bank, 3135 South 1300 East), or my accountant (Charles Huber & Assoc., 1050 Beneficial Life Tower), or the Salt Lake Chamber of Commerce, (19 East Second South, All in Salt Lake City, Utah).


1978

Department of the Treasury
Internal Revenue Service

Instructions for
Form 1040
and for
Schedules A, B, C, D, E, F, R, RP, and SE

(Tax Tables—pages 31-42)

From the Commissioner

These instructions contain information needed to complete Form 1040 and Schedules A, B, C, D, E, F, R, RP, and SE. Form 1040 appears to be the right form for you. But before starting, please check to see if you can file Form 1040A instead. Form 1040A is an easier form to complete and you should file it if you can. (See page 4 of the instructions—Which Form to File.)

Although the appearance of Form 1040 is somewhat different from last year's form, the line items are the same.

If you do your own return, the revised instructions this year should help you. They have been rewritten in simpler language and have been rearranged to follow the lines on the form more closely.

If you decide to have someone else prepare your return, select a qualified person. If you pay a preparer, the law requires the preparer to sign the return, enter the preparer's identifying numbers, and give you a copy of the return.

Ask your preparer to consider whether you can file Form 1040A instead of Form 1040.

We are always looking for ways to improve our forms and instructions. If you have any suggestions for improvement, please write to us.

If you need help, please call us at the number listed for your area on page 46, or visit an IRS office.

Tax Law Changes

Congress recently enacted legislation that allows credits for one or more dependents for your personal residence. See page 45 of Form 1040 should be used. To claim these credits, Congress also enacted legislation that

A little known tax law being used by thousands to legally eliminate income taxes.

Also, when you order, why don't you postdate your check by 30 days. If there's *anything*, and I mean anything at all you don't like, then send my book back and we'll send you your check back the same day.

But if you're going to do something, do it NOW. Don't put this paper down without taking action. In fact, if you've decided to order or if you have any questions, go to the phone right now, pick it up and call 801-973-4053, 24 hours a day, and you can order by credit card. (The same 30 day guarantee applies to credit card buyers.) The investment I ask you to make is only $15.00.

Here's a small list of some of the things that this publication is guaranteed to do for you. It will show you how to:

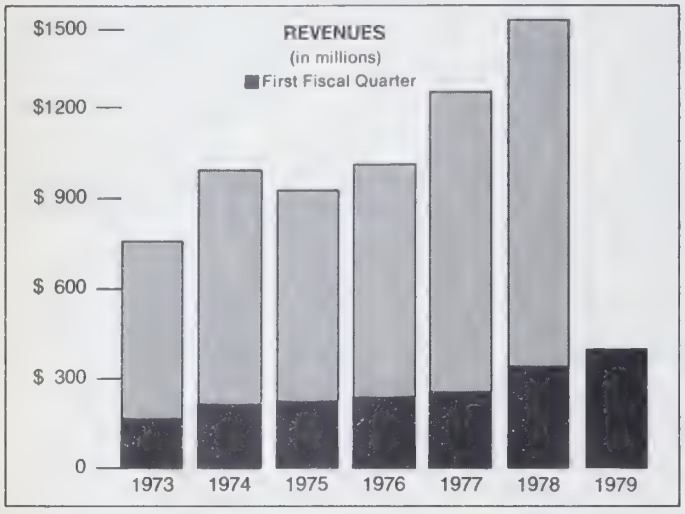
- Shelter your income by legally avoiding paying federal or state income taxes
- Add cash to your monthly salary
- Benefit from inflation rather than being hurt by it
- Buy income properties for as little as $100 down
- Begin without any cash
- Put $10,000 cash in your pocket each time you buy (without selling property)
- Double your assets every year.
- Buy bargains at one half their market value
- Allow you to travel one week out of every month
- Save 10% of your salary
- Reinvest your tax savings for even greater tax shelter

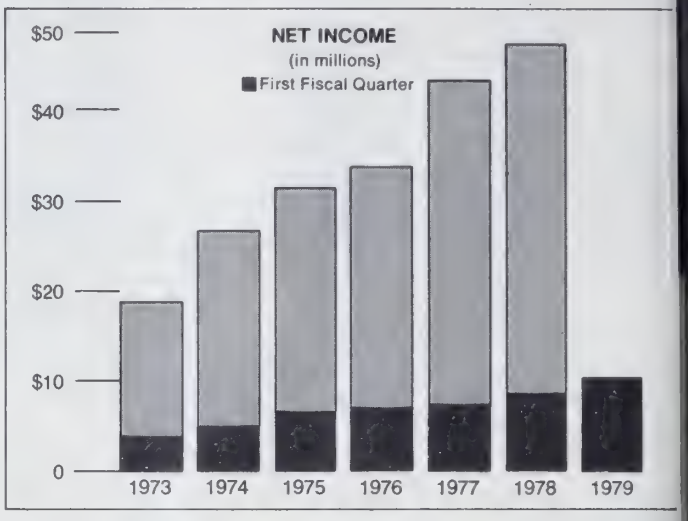
To order, simply take any size paper and write on it the words "FINANCIAL GENIUS" - Dept. G-539. Send with your name, address and a check or money order for $15.00, to me Mark O. Haroldsen 2612 South 1030 West, Salt Lake City, Utah 84119. To speed up the process you can pick up the phone right now and call 801-973-4053, 24 hours a day,and use your credit card to order. We take all major cards.

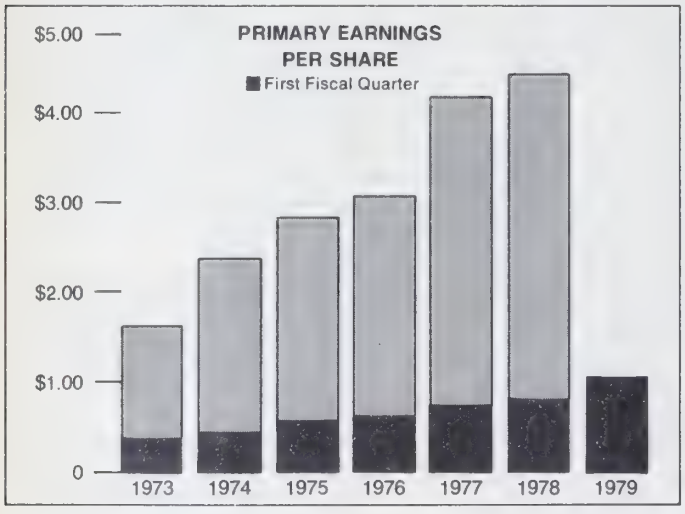
TX15 © Mark O. Haroldsen, Inc. 1979

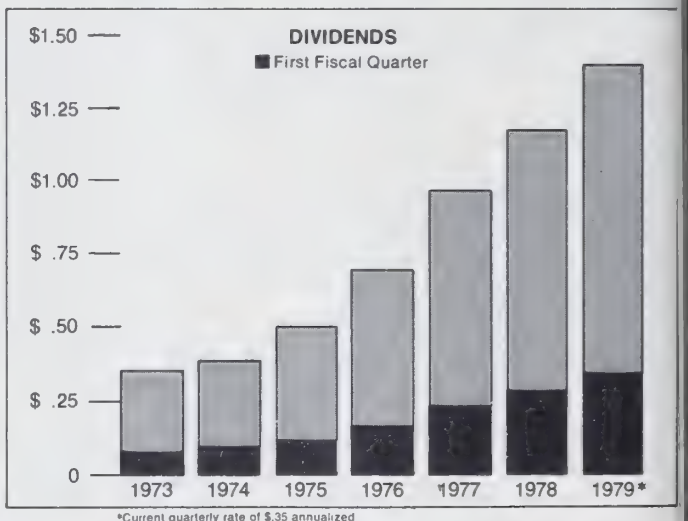
ALCO STANDARD'S SIX CONSECUTIVE GREAT YEARS

Have positioned the Corporation for its latest record quarter.









*Current quarterly rate of $.35 annualized

Alco Standard Corporation Financial Summary Three Months Ended December 31		
	1978	1977
Revenues	$436,472,000	$341,468,000
Income Before Taxes	20,277,000	16,071,000
Net Income	10,727,000	8,721,000
Primary Earnings Per Share	$1.06	$ .81
Dividends Per Share	$ .35	$ .29

Alco Standard reports its best first fiscal quarter results ever for revenues, net income and earnings per share for the three months ended December 31, 1978.

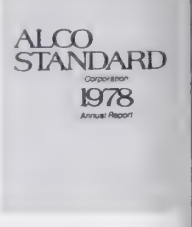
Revenues climbed 28%, net income 23% and earnings per share 31% compared with the same period a year earlier. Revenues of $436 million were the best for any quarter in the company's history.

During the quarter, a year-end extra cash dividend of $.06 per share was declared, along with a regular quarterly dividend of $.29 per share. The year-end extra has now been declared for the three latest years—in an increasing amount each year.

In the second quarter, the Board voted to incorporate the year-end extra payout as part of a new quarterly dividend rate of $.35 per share. The indicated annualized dividend rate is now $1.40 per share, compared with a previous yearly rate of $1.16 in fiscal 1978. This represents the 14th consecutive year since the founding of Alco Standard that the dividend has been increased.

The outlook for the balance of Alco's fiscal year remains optimistic, principally because of strong incoming order levels for the manufacturing and distribution groups.

If you would like to know more about Alco Standard, we invite you to write for a copy of our 1978 Annual Report and our new First Quarter Interim Report. Alco Standard Corp., Dept. F2, Box 22479, Cleveland, Ohio 44122



ALCO
The Corporate Partnership™
Serving the areas of Manufacturing, Distribution, and Resources

ONE REASON WE PLACE MORE COPIERS THAN XEROX IS WE'RE IN MORE PLACES THAN XEROX.

It may come as a surprise, ut we're in nearly 500 more places han Xerox.

In fact, with over 600 branch nd dealer locations, Savin has the rgest copier distribution and ser- ce network in the country.

But Savin does a lot of things fferently than other copier com- anies.

Savin doesn't discriminate gainst its own copiers. Savin ases its discount allowances on ne combined use you give all your avin copiers. Not on how much ou use one particular model. Like you-know-who.)

On top of that, you get a wer cost-per-copy rate quicker. Quicker than who? Quicker than uess-who.)

Your Savin representative won't write you off after he's written you up. He's around so much, you may come to think of him as an accessory for your Savin.

In addition to selling, renting and leasing copiers, he regularly evaluates your needs.

He'll make sure your Savins are in the right place. That your place has the right Savins. And that your Savins are doing what they're supposed to be doing.

As your business grows.

Savin copiers don't only copy. They multiply. With all that Savin has going for it, it figures that Savins have a way of reproducing themselves.

Let one in and, before you know it, there's another one.

(Which is why we've developed our CMD Program. It deals with major multiple placements exclusively.)

Savin doesn't make you sorry you bought what you bought when you bought it. If you bought a Xerox 4000 for $22,000 a few years back, you might be mighty sorry. Because now you can get one for less than half that.

That goes for their 3100 model, too.

But it doesn't go for any Savin.

They're still going for what they went for.

And going fast, at that.

If you're interested in placing Savins at your place, call us. 914-769-8805, Monday through Friday, 9:00 am to 5:00 pm E.S.T. We'll tell you all about our CMD Program. We'll tell you all about the Savin Success Story, too. And the new measure of reliability and technology our incredible 700 series is bringing to American business.

savin

We've seen the future. And it works.

avin and Savin logotype are registered trademarks of Savin Corporation.
erox is a registered trademark of Xerox Corporation. ©1979 Savin Corporation, Valhalla, N.Y. 10595.

F9416

Edited By John A. Conwa

The shrinking paycheck

The great American paycheck, once as proud a standard to the world as Old Glory, has lost much of its luster. The U.S. had fallen to fifth place among the top 12 industrial nations by 1977, the last year with available statistics; in 1972 it stood at the head of the pay line, according to a survey by Towers, Perrin, Forster & Crosby, the international management consultant firm. Japan, with average hourly manufacturing earnings of $6.70 an hour (based on October 1978 exchange rates), is now tops, followed by Sweden, with $6.13, Belgium ($6.10), West Germany ($5.76) and the U.S., with $5.63 an hour. Japan's lead actually is probably far greater, because it is the only country in the industrialized world where a worker's wages are topped by the fringe benefits sanctioned by a benevolent government. Towers, Perrin, which numbers salary administration and executive compensation among its specialties, says the disparity becomes much greater on management levels. Salaries of chief executives for U.S. overseas subsidiaries can now run as much as 40% to 50% higher in Belgium, Holland or West Germany than the compensation of their counterparts—in the same company—on this side of the Atlantic. Five years ago a difference of 10% or 15% was noteworthy.

Call and complain

One of Washington's newest hot lines—the General Accounting Office's toll-free number for reports of federal fraud and mismanagement—is functioning "beyond all expectations," according to Comptroller General Elmer B. Staats. The GAO line was hooked up in January and more than 500 calls a week have been coming in ever since. A respectable 62% of the gripes, Staats says, are worth investigating, and about two-thirds of those involve "intentional wrongdoing." Half the complaints are about federal workers; most of the others concern government contractors or recipients of federal aid. The number? 800-424-5454.

Pizza progress

Is pizza on its way to becoming the national dish? Figures for cheese production in the U.S. certainly point that way. In 1977, the latest year for which the National Cheese Institute has official numbers, American dairymen churned out 544 million pounds of mozzarella, a basic ingredient of pizza, second only to cheddar, which topped 1.5 billion pounds. Preliminary figures for 1978 show production of the creamy Italian delicacy still climbing, passing the 594 million-pound mark. In 1973, cheddar's total was 1.3 billion pounds, compared with a modest 374 million for mozzarella. The per-capita numbers tell the story even more graphically. In 1964 consumption broke down to a canapé-size 0.6 pounds for each American. By 1972 it was up to 1.6 pounds per capita, and by 1977, to a lip-smacking 2.5 pounds.

Tossing a pizza

A bigger slice of the pie.

Furor before the fact

Gasoline rationing may still be only a blur on the horizon (although a persistent one), but those who would be deeply involved in any such program are already complaining about it. Service-station operators have little liking for the idea and the National Congress of Petroleum Retailers is asking the Department of Energy for a 2-cent-a-gallon price hike to cover the cost of handling gasoline coupons should any program be put in place. (The gas pumpers want another 3 cents a gallon to cover overall costs of keeping their stations open.) Bankers are also raising a protest over getting stuck with all the work should rationing arrive. The chore, the American Bankers Association has told Congress, should be handed to savings and loan associations, big corporations, government offices and d ment stores as well as banks. If have to carry the full load, the ABA it "will merely add lines at the ban top of lines at the gas stations."

The poverty line

The poverty line set by the federal ernment, an Oregon campus econ contends, has been drawn in the v place. The Washington experts, say Morton Paglin of Portland State versity, ignore what he calls "in income—multibillion-dollar, no items like food stamps, public ho and Medicaid—and this greatly di the poverty picture. By his lights poverty rate in the U.S. is 3% o population instead of the 12.3% fi by the Census Bureau. The bureau, lin notes, tagged the poor at 25.4 m Americans in 1968 and at 24.7 milli 1977, showing practically no declin tually, he insists, fewer than 8 m Americans should be considered as in poverty. The government's figur argues, ignore the fact that from 19 1975, "in kind" assistance went $4.9 billion a year to $19.7 billion.

Buy-American barrie

The car buyer looking longingly at cent-to-10-cent-per-gallon differenc tween leaded and unleaded gas could become a factor in the sale o ported automobiles. About the choices available in a car that can us cheaper leaded fuel come from ab And if the shopper lives in Calif that state's superstrict clean-air limit the options to just three: Honda, three BMW models and $48,000 Porsche 930 Turbo. Drive other states have a wider but still lir range—Honda, Datsun, Renault, V wagen, Fiat, Audi and Porsche. The American shopper, it seems, is o luck for now.

Bargain-basement brok

The "discount broker," created by Congress in May 1975 when it decre end to Wall Street's system of fixed missions, is riding high and looking higher. Quick & Reilly Inc., the firs biggest New York Stock Exchange r ber to move into the no-frills, cu format, started with 1,400 custome 1975. It now has thirteen offices s from Boston to Florida, a staff of 19 44,000 accounts, and last week Quick (Reilly is no longer with the added his own clearinghouse servic

Introducing the last word in First Class.

Today, with the development of our long-range 747SP, Pan Am can take you to places nearly halfway around the world non-stop.

But non-stop flying doesn't mean much without non-stop service.

So, for First Class passengers on our 747SPs, we are proud to introduce new ideas you won't find on any other airline.

Like our new Sleeperette® seat. When it reclines, the Sleeperette® stretches out to the length of four-and-a-half of our windows. Perfect for reading, enjoying stereo or getting a good night's rest.

Another First Class exclusive: a choice of banquette table-for-two seating or individual dining at your Sleeperette® seat. And, of course, superb international cuisine.

Whether you fly First Class on our 747SP with the Sleeperette® seat, or on our traditional 747, you'll experience the same high standard of service that our First Class passengers have always enjoyed.

You see, we want to be the world's first choice in First Class service.

See your Travel Agent or transportation department.

PAN AM®

We fly the world the way the world wants to fly.

One of the most familiar landmark in the world of finance.

By now just about everyone r nizes the Pyramid as the symbo Bankers Trust.

We've been one of the 10 lar commercial banks in the nation over 25 years.

But we're not just a cornerston American finance.

Since we began making our mar New York some 75 years ago, our s has become worldwide—with a work of offices across six continent

Everywhere you find us, you'll the experience and expertise neede provide a long list of quality serv

Like SITS—the first tape-to-t communications system for fast accurate securities handling. Or first computerized letter of credit tem. We also expanded computer banking with our Cash Connector– most complete link between man bank ever devised.

And yes, we're still *the* bank trusts—the preeminent bank in the of employee benefits and a leade almost every aspect of trust adm tration and investment.

Wherever you see the Bankers T Pyramid, you're dealing with a service bank in the fullest sense of word, with the capacity to raise, and manage money worldwide.

Whatever your needs, a visit to the Pyramid can be a rewarding experience.

Bankers Trust Compar

Member Federal Deposit Insurance Corpor

© Bankers Trust Company

International Banking Subsidiaries in United States: Chicago, Houston, Angeles and Miami. Overseas Branc LONDON, BIRMINGHAM, MIL PARIS, TOKYO, SEOUL, SINGAPO BAHRAIN, NASSAU and PANA CITY. An International Banking work of branches, subsidiaries, affili and representative offices in over countries on 6 continents.

Trends

lans to open four more offices by the the year. Discounts run up to 70% &R service which, like that of the 30 other discounters, is really order-g, without research, counseling and extras that more traditional Wall houses offer. Q&R and its com-rs now handle between 3% and 4% e stock market's volume and the ord Research Institute has predict-t they will have as much as 25% in years. Quick himself thinks that ate is too high, but he still expects scounters' share to run up to 15% %. With Big Board economists ex-g 80-million-share trading days by either percentage means a rosy fu-or Quick & Reilly and the other nters.

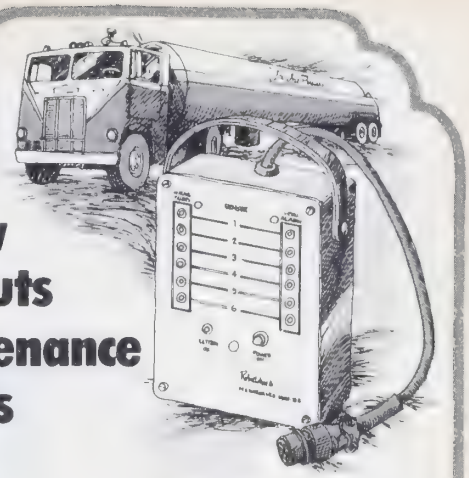
Help for home buyers

exible-payment mortgage is about another big boost. The Govern-National Mortgage Administration nie Mae") is applying the final es to a new "Graduated Payment age" (GPM) program that will es-n the first direct link between the market and this type of loan. (A allows a young home buyer to start maller monthly payments that in-with the years as—presumably—e improves.) Depending on the t, the Mortgage Bankers Associ-of America expects that $1 billion billion in the new Ginnie Mae could be issued in 1979 and that, n a few years, one in four new Gin-ae mortgage "pools" could be on PM model. If the Veterans Admin-on should come in with a similar m, the proportion could go higher. Federal Housing Administration al-has a plan along this line.)

Protecting inflation

does protectionism protect? Appar-not much. Bank of America econo-asked their computer what would happened had the U.S. imposed im-restrictions at the beginning of -on steel, autos, consumer goods nonfood raw materials—severe h to cut the U.S. trade deficit in half. computer's answer was that would have gone up about 1%. And that was assuming no retali-by our trading partners, a highly ly response.

ddition to being inflationary, the study concluded, the import curbs have created no net increase in nd over the years would have cut eal personal income and industrial ty utilization. ■



Robertshaw's new plug-in monitor cuts 30-minute maintenance check to 15 seconds for Air Products.

Significant savings on truck fleet maintenance with a quick return on investment—these are two major benefits of the new plug-in Maintenance Monitor by Robertshaw. Using electronic sensors, the patented device shaves costly mechanic's time from half an hour to seconds for checking critical points on trucks and heavy equipment equipped with Robertshaw's Mini-Tek® system. Its potential for operating economy is being applied to the trucking fleet of Air Products and Chemicals, Inc. of Allentown, Pa.

Maintenance Monitor is one of 10,000 controls and control systems manufactured by Robertshaw for homes, commerce and industry. For details on money-saving control ideas, write to Robertshaw Controls Company, Dept. IIF, P.O. Box 26544, Richmond, VA 23261. Or call 804/282-9561. Exports: call Robertshaw International Operations, 804/285-4161.

Robertshaw

The Energy Control Company

$96 OFF ON A SEIKO.™

It's the same Seiko alarm chronograph, finished in gold and stainless, that lists for $295.

That's occasionally discounted to $245.

And now it can be yours for only $199 by mail from The Sharper Image.

It's Seiko's top-of-the-line Quartz Liquid Crystal Chronograph. Which has everything you could ask for in a computer age watch, including an alarm. Plus a fiercely talented stopwatch.

You may also choose it in all stainless ($250 list) at only $169.

You get a limited one-year parts and labor warranty, and The Sharper Image's own two-week return privilege.

Order now. Chronographs like these—at prices like these—don't come along very often.

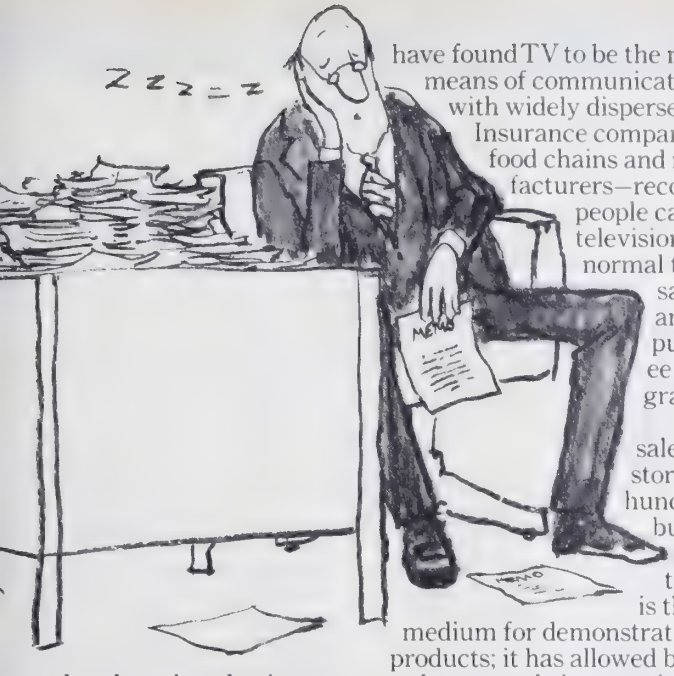
ORDER TOLL-FREE.

Give our operator your credit card number or send check for $199 for Gold plus $11.94 sales tax in California (for Stainless, $169 plus $10.14). Add $2.50 for delivery.

(800) 621-5559
In Illinois (800) 972-5858

THE SHARPER IMAGE™
260 California Street, **Dept. 27**
San Francisco, CA 94111
(415) 788-4747

IT IS NOW IMPERATIVE THAT AMERICAN BUSINES FIND A MORE STIMULATING WAY TO COMMUNICATE WITH ITSELF.



very day, American business
forth a virtually endless stream
r-office memos, conference
s, training manuals, brochures,
, phone calls, slide shows, letters,
ms, direct mail pieces, annual
s, press releases and newsletters.
he average employee is deluged
ommunication.
nd there is no way of telling how
of it is either ignored, forgotten,
ced or summarily disposed of.
n short, American business is in
oes of a vast and complex com-
ation crisis.
problem that today—in an
short attention spans and high
unications costs—cries out for an
nt and imaginative solution.
ortunately, we at Sony have
he better part of two decades
ing and perfecting just such a
n.
's an approach that transcends
er avalanche, and actually man-
communicate in a riveting,
ng, persuasive manner.
Ve call it the Sony Video Com-
ations System. And we believe it
ve as significant an impact on
can business—both large and
-in the 80's as the computer had
70's.

EO COMMUNICATIONS:
NO LONGER THE
LM OF SCIENCE FICTION.

or almost as long as television
isted, scientists, dreamers, and
ate soothsayers have speculated
the day—far in the future—when
ion would be used as a practical
ss tool.
oday that dream is indeed a

arge multi-national corporations
ll as smaller domestic companies)
have found TV to be the most efficient means of communicating with widely dispersed employees. Insurance companies, fast food chains and major manufacturers—recognizing that people can learn from television in 1/6th their normal time—have saved untold amounts by putting employee training programs on tape.

Traveling salesmen, retail stores, and hundreds of other businesses have discovered that video tape is the perfect medium for demonstrating unwieldy products; it has allowed business to reduce sample inventories, cut travel costs, and generally increase productivity.

Even doctors, dentists and lawyers have found ways to utilize the medium to their advantage.

Often for less money—and always with significantly more impact—than any other audio/visual medium.

At Sony, we offer not merely the equipment, but also the practical experience to tailor a video communications system to fit both your needs and your budget, forever keeping the great arbiter of all business innovations in mind: your profits.

AN INTEGRATED SYSTEM VERSUS THE PIECEMEAL APPROACH.

There are any number of companies today that specialize in building cameras, tape players and other sophisticated video hardware.

But even the most advanced video equipment can become a worthless morass of electronic junk unless it's put together in a coherent, sensible manner.

At Sony, before we talk about a single megahertz or digital time base corrector, we analyze your communications needs.

We meet with your people.

Look at your goals.

Study your logistics and budget.

And then—and only then—drawing upon our experience with literally hundreds of other companies, do we feel qualified to recommend a comprehensive video communications system.

Admittedly, our capabilities allow us to offer you anything from the simplest black and white video recorder to something approaching the CBS Television Network in size.

But being the only communications company in the world to produce the full range of video equipment, including video cassette players and recorders, cameras, monitors, editing units—even the video tape itself—offers several distinct advantages to the video neophyte.

There is only one company to deal with.

Only one service organization to call.

There is no need to worry that one piece of equipment is incompatible with another.

Or totally obsolete.

HARNESS THE GENIUS OF THE WORLD'S PREMIER VIDEO MANUFACTURER FOR YOURSELF.

Over the years, the name Sony has become synonymous with electronic innovation and quality.

In 1955, Sony marketed the world's first transistor radio.

In the 60's we introduced the miniature television set.

Sony Trinitron color television sets have often been heralded as the world's best.

The Sony Betamax system is so innovative that several of our competitors are using our patents.

And today, our video communications systems are being used by over 800 different sized corporations, a handful of whom are listed below.

Transportation	*Rockwell International*	*Coca-Cola*
Chrysler	*U.S. Steel*	*General Mills*
Clark Equipment	*Westinghouse*	*Popeye's Famous Fried Chicken*
Datsun		*Procter and Gamble*
Fiat	*Retailing*	*Sambo's*
Ford	*Bloomingdale's*	*Winn-Dixie*
Fruehauf	*Garfinkel's*	
Goodyear Tire	*J.C. Penney*	*Travel*
	Lord & Taylor	*American Airlines*
Energy	*Macy's*	*Eastern Airlines*
Atlantic Richfield	*Marshall Field & Co.*	*Hughes Airwest*
Exxon	*Sears*	*Southern Railways*
Getty		*United Airlines*
Gulf Oil	*Banking*	
Mobil	*Chase Manhattan Bank*	*Utilities*
Finance	*Chemical Bank*	*AT&T*
Arthur Anderson	*Citibank*	*Con Edison*
Arthur Young		*General Telephone & Electric*
Dean Witter Reynolds	*Computers*	*Western Union*
Merrill Lynch	*Burroughs*	
	Honeywell	*Insurance*
Manufacturing	*IBM*	*Aetna*
Allis Chalmers	*NCR*	*Allstate*
American Can	*SCM*	*Equitable*
Bendix	*Sperry UNIVAC*	*Fireman's Fund*
Caterpillar	*Xerox*	*GEICO*
General Electric		*John Hancock*
Hewlett Packard	*Food*	*Prudential*
Maytag	*Big Boy*	*State Farm*
Owens Corning		*Travelers*

If you'd like to add your name to this distinguished list of clients, please call 1-800-821-2280, ext. 313 (Missouri 1-800-892-5890, ext. 313).

Or write to the Sony Information Center, CN 02450, Trenton, New Jersey 08650.

The uses of video are not limited by the size of your company.

Only the scope of your imagination.

SONY VIDEO COMMUNICATIONS

Sony, Trinitron and Betamax are registered trademarks of the Sony Corp.

Justus.
A solid investment in cedar.

Send $2 for a color portfolio showing scores of Justus Homes using select 4 x 8 Western Red Cedar wall timbers, a prized material in increasingly short supply. We custom design to fit your site and family needs. Write, or call toll-free 1-800-824-7888. (In California, 1-800-852-7777).

Justus homes
P.O. Box 98300
Tacoma, WA 98499

Name

Address

City State Zip

I own a lot. Location

F-479

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).

Canadian orders, add $4 a year.

Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)

New Address:

City

State Zip

F-4826

Follow-Through

Viva Miami!

"Something always seems to come along to save Florida," FORBES noted a year and a half ago *(Nov. 1, 1977)*. This time, salvation rode a flood of Latin American dollars, generated by deep-seated fears that a new wave of unrest south of the border could wreck the economies there and wipe out private fortunes and their owners. Banks from New York and other money centers were flocking to Miami to get in on the action and the city-by-the-sea was headed for a new crest.

The money is still coming. Southeast Banking Corp., the state's biggest, has more than $850 million in Latin wealth in its coffers and Vice President-Treasurer Thomas B. Walker estimates the total in southern Florida at $1.5 billion to $2 billion. Miami's economy is in ferment and the only question, says Charles J. Zwick, Southeast's president, is: "How much solidity is there underneath?"

From the looks of things, a solid foundation is taking shape. Along with the nervous millionaires, investors are eyeing Miami, not only from Latin America but from as far away as Hong Kong. A planned $20 million bank building indicates the international mix that is the new Miami. It will house the regional headquarters of Florida's Barnett Bank; the money is coming from a Miami plastic surgeon, from Latin America, from a New York insurance company, from a big Spanish construction firm, Madrid's Huarte y Compañía; and the project was put together by Miami entrepreneur David R. Weaver, a young Canadian who is the son-in-law of a Texas congressman. Within sight of the Barnett tower, the U.S. subsidiary of Hong Kong's Swire Properties Ltd. has teamed with a local developer to buy 33 of the 44 acres on Claughton Island in Biscayne Bay to erect a 2,000-unit, $150 million condominium. A few years ago, with miles of them standing empty, "condominium" was a dirty word in Miami.

West of Miami's International Ai the first buildings of a new 60(square-foot free-trade zone are abc open their doors. Two Colombians, man Leiva and his wife Maria Ca are building the $25 million zone, v $10 million loan arranged by First o ton Mortgage Corp. and the rema from investors, mainly Latin. The I think it is the first privately owned trade zone in the world.

The airport itself is bursting a seams. Director Dick Judy's run handled close to 17 million passe last year and air cargo worth $4 bi With only New York's Kennedy m more international freight, Judy' complaint is a lack of lift to handle and he rejoices at the arrival of carriers like El Al and Lufthansa. (I 71 scheduled carriers will use Miam year, compared with 67 for Kenned

The money men are still comi dozen "Edge Act banks" (subsidiar out-of-state banks that can handle international financing and foreig posits) are operating in Miami and January 1978, 13 overseas banks either arrived or applied to do so, co from Israel, Canada, Great Britair gentina, Spain, Brazil. (The latest to for Florida is South America's bi Banco Do Brasil, with $49 billion sets.) Some of these, the Canadian example, have followed sun-se well-heeled fellow-citizens to Fl The others are moving in to get in o money flow. Alexander (Mac) V president of Southeast Banking C banking group, expects that flow to tinue and he sees only one cloud o ami's horizon—New York's pro "free banking zone," which woul banks there function in a way com ble to wide-open offshore financial ters like Nassau. That, he fears, create "revolving doors" to siphon ey into overseas markets and wealthy Latins into bypassing M and heading north. But if that sl

Miami International Airport

Investors around the world are harking to the city's Latin beat.

Zero Tax

As tax time nears, you will be pleased to know that all income dividends from the Dreyfus Tax Exempt Bond Fund are and have been 100% free of Federal income tax. Not all tax exempt bond funds have totally tax exempt income. Send for our free chart and learn how your money mounts up when you compound these tax free dividends. No sales charge–no penalties on redemption–low initial investment of only $2500–free telephone transfer.

Dreyfus

Tax Exempt Bond Fund Inc.

600 Lincoln Blvd.
Middlesex, NJ 08846

Name_____

Address_____

City_____

State_____ Zip_____

For more complete information, including management fee charges and expenses, obtain a prospectus by sending this coupon. Read it carefully before you invest or send money. Save Time!

Call toll free day or night!

800-325-6400

(For questions call 9AM-5PM 212-223-0303; Out of New York City call collect. Out of New York State call toll-free 800-223-5525)

☐ Please send a free compounding chart.

047T104

Income may be subject to some state and local income taxes.

The Temple of Heaven, Beijing

Where do you find the experience you need to trade with China?

Ask Chicago's Bank.

Whatever it takes financially to do business with the People's Republic of China, First Chicago is doing it.

Since January 1978, we've had a fully operative correspondent relationship with The Bank of China. First Chicago was the first U.S. owned bank to have one. And this relationship enables us to provide every banking service you need to trade with China.

During our first full year of experience, we negotiated hundreds of letters of credit ranging in size from ten thousand to tens of millions of dollars. For imports ranging from mineral ores to machine tools, from textiles to hand painted egg shells.

We've handled documentary currency collections for soft drinks and steer hides, tractors and tin plate, and countless other exports to China.

First Chicago has helped companies from all over America and the world get their message across to the Chinese. We've helped them contact the right agencies, locate markets and sources. We've assisted with negotiations and helped structure billion dollar proposals for our customers.

No other U.S. bank can provide this wealth of experience with China.

China is a land of opportunity for businesses of all sizes. To put First Chicago's worldwide financial force to work for you, phone Gregory Tallas, Vice President, at (312) 732-8513.

In America, or anywhere else in the world, ask Chicago's Bank.

You'll profit from our experience.

FIRST CHICAGO
The First National Bank of Chicago

Chicago • Atlanta • Baltimore • Boston • Cleveland • Houston • Kansas City • Los Angeles • New York • San Francisco

© 1979 The First National Bank of Chicago. Member F.D.I.C.

On January 17, 1980 the world's greatest ship embarks on the world's greatest cruise. The Queen Around the World.

In celebration of her 10th anniversary, Queen Elizabeth 2 sails from New York westward around the world. In 80 days, she will travel almost 30,000 miles, through seven seas, touching four continents, visiting 26 ports.

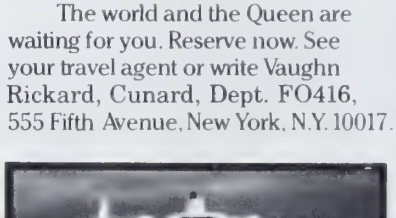
What a world you'll see! The Caribbean, the Panama Canal and Mexico. The Orient, including Japan and China. The magic of the Taj Mahal. The Black Sea, Russia and Romania. A northward passage of the Suez Canal into the Mediterranean and the gateways to the ancient world—Egypt, Israel, Turkey, Greece and Italy. Then along the French Riviera, through the Straits of Gibraltar to Spain, France and Great Britain.

What a world to see it from! The Queen. The only ship in the world especially designed for world cruising with the largest, most sumptuous staterooms afloat. The Queen is nine hundred feet of sheer majesty. Thirteen decks of fun and excitement surrounded by the romance of the open sea. Dining, dancing, swimming, and relaxing. World-famous authors, lecturers and over 500 entertainers. And the impeccable service of her British crew.

Where would you prefer to board? You can join the Queen's World Cruise at any one of three embarkation points: New York, Ft. Lauderdale or Los Angeles. From Ft. Lauderdale, departing on January 19, you'll spend 78 days cruising and visit 26 ports. From Los Angeles, departing on January 31, the cruise is 60 days, calling at 21 ports.

Free air fare to and from your hometown. As a special bonus, our world cruise passengers will receive complimentary air tickets to or from their hometown when they book the full cruise. (60-day minimum). Rates for the entire 80-day cruise from New York are $9,950—$54,000 per person, double occupancy. Rates for the 60-day cruise from L.A. are $8,650—$46,500 per person, double occupancy. And if you don't have time for the whole cruise, we offer an attractive and exciting variety of shorter segments, with air/sea packages available.

The world and the Queen are waiting for you. Reserve now. See your travel agent or write Vaughn Rickard, Cunard, Dept. FO416, 555 Fifth Avenue, New York, N.Y. 10017.



CUNARD

Queen Elizabeth 2
For once in your life, live.

British Registry

Follow-Through

happen, he adds, Miami would sit set up a free banking zone of its own

The key ingredient in Miami's found attraction for Latin Ameri was—and is—the arrival of hordes o wardly mobile Cubans who fled C and gave the city its Hispanic fl Their ranks have been swelled by V zuelans, Colombians, Argentines others, so the Latin beat has intensi Miami's secret seems to be that m talks and when it speaks Spanish, Fl listens.

Wallflowers in bloom

A year ago, FORBES *(May 1, 1978)* ti off 25 "Wall Street wallflowers," st selling at less than five times their jected 1978 earnings, and comme that while some properly belonged i doghouse, others deserved be Chrysler, for example, was a trou company, but was Ford? Ford's low i seemed to reflect nothing more th lack of interest in anything invol automobiles.

Since then, investors have taken a ond look at FORBES' wallflowers. P earnings ratios may not have cha very dramatically but prices have average they have handily outperfor the market. Thirteen of the 25 scored gains ranging from 25% to 1 Columbia Pictures, about 16 a year (presumably because of the forgery theft charges hanging over its fo president), has jumped to more than 33% gain. The conglomerate Tele has climbed 91%. The savings and companies on FORBES' 1978 list have shaken off the cloud they were labo under. Gibraltar Financial has rea 14, a 75% gain; Great Western Finan has enjoyed a 29% rise; TRANSO Financial is up 35%; and United Fi cial, propelled by a takeover bid by tional Steel, has jumped 131%. K Aluminum recorded a 45% gain and can Aluminium, a 50% improvemen

As a group, the wallflowers did m better than the market, with a 27% compared with 8% for Standard & P 500. Its average was brought down by fact that not all of the wallflowers tapped. J.P. Stevens, still the targe unrelenting trade union pressure, barely moved. TWA and Pan Am c not sustain the runups they had, and languished during a year of lawsuits calls, high-level firings and other troul

If all this proves anything, it is many stocks sell at a low P/E ratio, because they deserve it, but because are temporarily under a cloud. clouds often have a very silver lini like Teledyne's or Columbia Pictures

THIS FAMILY OF VOLVO OWNERS HAS ONE MILLION MILES ON IT.

Some years ago, Barry Vandenberg, an insurance agent from Oxnard, California, decided on some life insurance for his family.

He wanted his whole family to drive Volvos, because he felt Volvos were the safest cars on the road.

Sure enough, as the Vandenberg children reached driving age, the Volvo population exploded. Today the Vandenbergs own seven Volvos, with a total of one million miles on them.

"These Volvos are still running beautifully, even after all those hard miles," says Mr. Vandenberg. "More importantly, Volvo's safety features help me sleep better at night. My kids are too old to coddle. But they'll never be too old to protect."

Statistics show that 9 out of 10 people who have bought new Volvos are happy, especially with Volvo's safety features.

Building roomy, dependable, safer family cars has always been a Volvo tradition.

It's nice to see that for some families, buying them is a tradition, too.

VOLVO

A car you can believe in.

979 VOLVO OF AMERICA CORPORATION LEASING AVAILABLE

Raytheon invented this new way to pop corn

Our microwave popcorn popper is new. It's one of the latest accessories developed by Raytheon engineers to help Amana Radarange® microwave oven users enjoy microwave cooking to the fullest.

But, there's an interesting story behind our new popcorn popper. Because, in a way, we've now come full circle with our involvement in microwave cooking.

Back in 1945, in a Raytheon plant on the outskirts of Boston, an inquisitive, self-taught genius named Percy Spencer made a remarkable discovery. When popcorn was placed in a field of microwave energy, it popped! And microwave cooking was born.

A billion dollar baby.

The first Radarange microwave ovens were for commercial and institutional use, a market pioneered and developed by Raytheon.

Then, in the mid-60's, Amana joined Raythe The resulting combination of technical skill an appliance know-how set the stage for a break-through in home cooking, and in 1967 Amana introduced the first 115-volt countertop microw oven for home use.

years ago.

The rest, as they say, is history. Today, the
et for microwave ovens exceeds $1 billion a
And Amana continues as a solid leader in
ndustry.

But Raytheon's appliance business is much
than microwave cooking. From Amana—
ric ranges and cooktops; energy-saving
gerators, freezers, and air conditioners. From
ric—another Raytheon company—gas and
ric ranges, plus the revolutionary new com-
ion microwave-electric ME range. Together,
make Raytheon one of the country's larger
major appliance manufacturers.

Major appliances—one of five basic business areas at Raytheon. The others are electronics, energy services, heavy construction equipment, and educational publishing. For copies of our latest financial reports, please write Raytheon Company, Public Relations, 141 Spring Street, Lexington, Massachusetts 02173.

RAYTHEON

The powerhouse.

Burroughs large computers give you reliable, cost-effective power for high productivity. And they're easy to manage.

Our family of large computers includes the B 7800, and the B 6800 (shown below). These multiprocessing, multiprogramming systems offer outstanding price-performance. Particularly in extensive data communications network operations, and large-scale data base management.

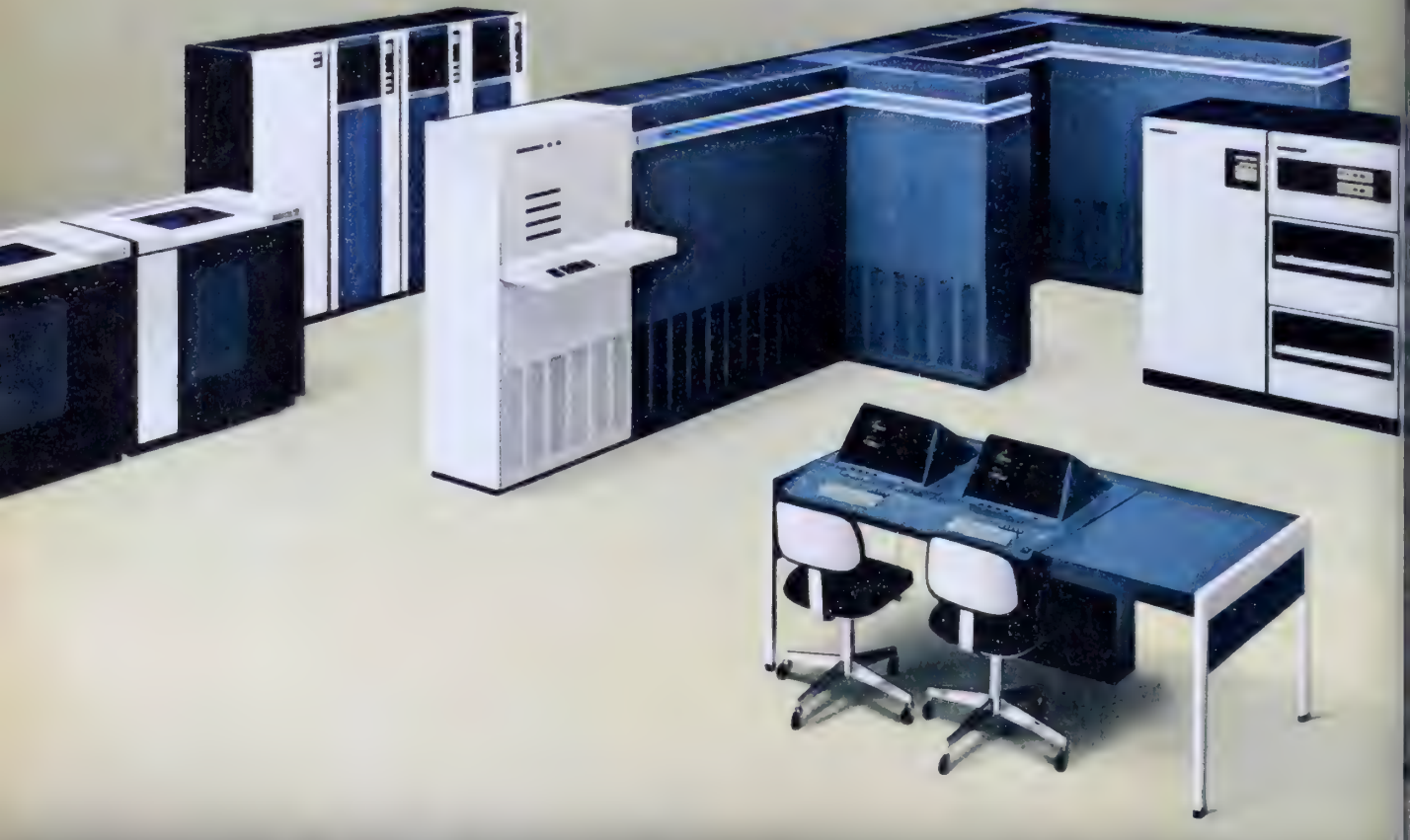
And for computers that are among the most powerful you can buy, they're amazingly easy to use. Because Burroughs Master Control Program manages the system for you. It simplifies operation and control. It automatically schedules and allocates the system's resources to optimize throughput, leaving programmers free to concentrate on data processing applications.

Our large computers are also totally compatible with each other. For example, if you want to expand from a single processor B 6800 to a multiprocessor system, or move up to a B 7800, you can do it without reprogramming or recompiling.

And remember, when you buy a Burroughs computer you get more than just equipment. You get the bonus of dealing with a total capability company with 90 years experience. And the security of knowing the whole Burroughs organization is behind you.

We call it "Total System Support." Hardware, system software, programming aids, application programs for major lines of business, customer training, system maintenance — even the business forms and supplies you need.

For additional information, call your local Burroughs office or write Burroughs Corporation, Department FRB-4 Burroughs Place, Detroit, Michigan 48232.



Burroughs

Forget 55 mph?

he answer to our energy problems respect to consumption of gasoline a lower speed limit *("Those fighting h can forget it," Fact and Comment, 5).* Fuel efficient engines are the r. Foreign automakers have been ng fast automobiles with them for l years. The sooner more pressure on the automakers in this country oduce a fuel efficient automobile e, the closer we will be to solving ergy problems.

R. Steenson
Tex.

f we should conserve gasoline, it l be advisable to remove all of the vasting emission control gadgets our automobiles. These are wasting st 10% of our gasoline.

er E. Davis
apolis, Ind.

you haven't already lived with the r necessity of 300-mile auto trips sary because there is no other type nsportation available) perhaps you d come and live in our shoes for a to become really expert on this wasting law.

rt Hurly
w, Mont.

Why not paper?

s there, or is there not, an oil ge?

your January Annual Report on can Industry *(Jan. 8)*, you state cartonmakers have been hard the continuing move of bottlers stic . . . ," a move from paper, a able domestic resource material, costly imported petroleum-based Cafeterias continue to use away foam plastic cups for hot cold drinks and bowls of the material; pallet loads are unit- with rolls of plastic film—all from petroleum.

F. Dinges
wood, Ill.

Well-balanced mix

We believe FORBES has failed to ap- te the role of aerospace in Textron 5) and has exaggerated the effect of events.

r article on Textron states that Bell pter's growth had "somewhat un- ed the company." In 1978 the entire Aerospace Product Group within Textron accounted for 33% of our sales volume. The Metal Product divisions produced almost the same net income as the Aerospace divisions in 1978 and our Consumer Product companies contributed a larger share. We think it's a well balanced mix.

It is true that roughly one-third of Bell's business has been in Iran, but we believe the commercial helicopter business, with higher margins than foreign military sales, will be the fastest growing part of Bell Helicopter's future.

Bell Helicopter expects to have its second highest sales year in 1979, second only to the record 1978, with a healthy diversification of customers.

—J.B. Collinson
Chairman,
Textron Inc.
Providence, R.I.

What about the users?

SIR: That was a good editorial on safety tops for potions and pills *("Costly overkill to 'save' kids," Fact and Comment, Apr. 2).* As an arthritic, I have been reduced to chewing the top off my motrin bottle, or putting it on the floor and stomping it off. But all the nonexistent babies in my apartment are safe.

—Ellen Stoutenberg
New York, N.Y.

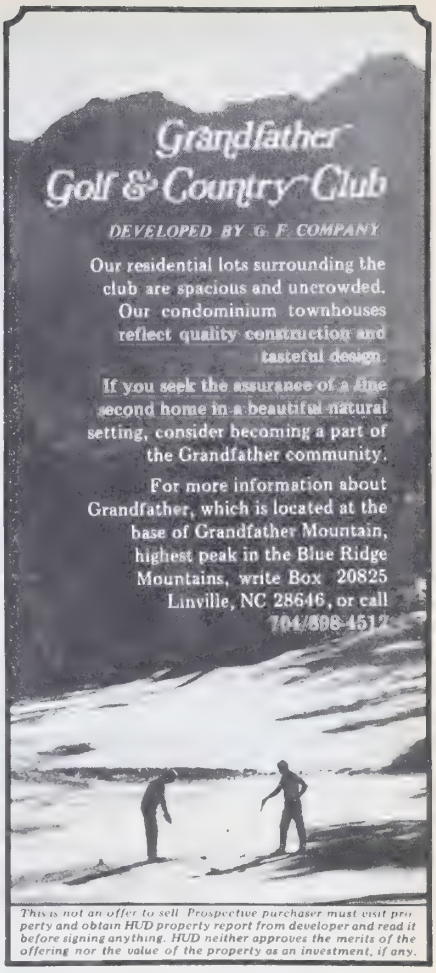
Reaction to Sir Arthur

SIR: Sir W. Arthur Lewis has been living in academia too long *("As I See It," Mar. 19).* He says that "To be doubtful about the U.S., one would have to be doubtful about its capacity to make and exploit technology, doubtful about its entrepreneurship. . . . I don't know what evidence there is for any long-term downward shift in these things."

If he doesn't detect a long-term deterioration in the quality and quantity of entrepreneurial spirit over at least the last two decades, he is not living in the real world. He misses the seemingly irreversible flight from productive industry toward sterile services and counterproductive government employment.

—Emil Skocpol
Dallas, Tex.

SIR: To say that the U.S. could live on its own resources may be true—so did Robinson Crusoe, but he didn't do so well, come to think of it. Sir Arthur carefully avoids the major problem of petroleum and how it is going to be paid


Grandfather
Golf & Country Club
DEVELOPED BY G. F. COMPANY
Our residential lots surrounding the club are spacious and uncrowded. Our condominium townhouses reflect quality construction and tasteful design.
If you seek the assurance of a fine second home in a beautiful natural setting, consider becoming a part of the Grandfather community.
For more information about Grandfather, which is located at the base of Grandfather Mountain, highest peak in the Blue Ridge Mountains, write Box 20825 Linville, NC 28646, or call 704/898-4512
This is not an offer to sell. Prospective purchaser must visit property and obtain HUD property report from developer and read it before signing anything. HUD neither approves the merits of the offering nor the value of the property as an investment, if any.

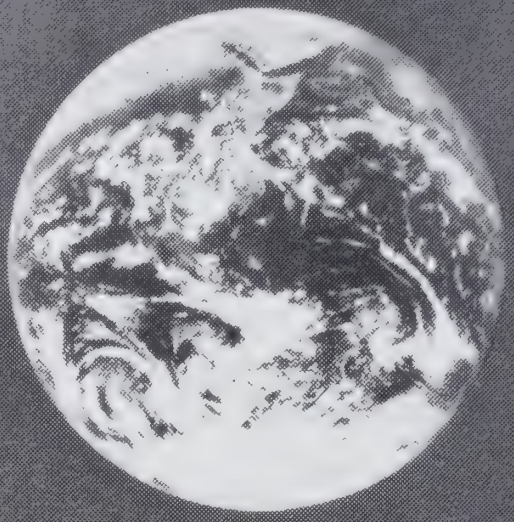
Choose your
AIRCRAFT BROKER
as carefully as you would select your . . .

- **Attorney**
- **Accounting Firm**
- **Investment Counselor**
- **Pilots**

. . . or any other professional. Proven integrity and a selection from the entire world-wide market is assured you through . . .

ROBEY smith
COMPANY
1401 Brickell Ave./Miami, FL 33131
PH (305) 374-1515 Telex 51-2503
International Telex RCA 264270

B·A·T Industries' home market...



...and how we did in it last year

A weather satellite view of the earth, taken last year from 22,000 miles.

Out of nearly 200 countries in the world, B·A·T Industries last year traded in more than 140 and manufactured in 78. For us virtually the entire globe is a "home market", with over 82% of assets outside the U.K. Nor is our diversity purely geographical. We are in tobacco, retailing, paper and cosmetics.

Some highlights of our year: tobacco sales grew in volume by over twice the world average; the acquisition of Appleton Papers reinforced the Group's position as one of the world's leading manufacturers of carbonless copying papers; in cosmetics, Lenthéric is now Britain's leading fragrance house.

All this, and much more, resulted in a turnover (including £2,547 million tobacco excise) of £6,676 million and an operating profit of £499 million in the year ended 30th September 1978.

At B·A·T Industries' AGM on 15th March, the Chairman said: "During the year all four Divisions made steady progress. Operating profit was £499 million or 5% higher than the previous year. Comparisons of performance are made increasingly difficult by the strengthening of sterling against many currencies, which adversely affects transactions across exchanges and means that, when the results are translated into sterling terms for reporting purposes, they appear less favourable. We calculate that had the pound been at the same level at the end of the financial year as it was at the beginning, our operating profit, when translated into sterling, would have been as much as £34 million higher.

Particularly notable achievements for the Tobacco Division were the volume recovery in the West German market, the rapid increase in market share in Venezuela and the continuing growth in Brazil. The Division also benefited from the first full year of trading with Lorillard brands internationally. Four State Express brands have been launched on the U.K. market and a foundation has been laid for growth and profitability.

In retailing, our U.S. operations achieved a substantial increase in trading profit; however, in the United Kingdom International Stores' margins suffered as a result of the "High Street war".

The Paper Division, which has extended its activity into the U.S.A. with the acquisition of Appleton Papers, has achieved commendable results in difficult circumstances.

I am pleased to report that profits are back on an upward trend in the Cosmetics Division.

During the past year, negative factors in Britain have become far more serious. Britain will only find a solution to its economic difficulties if common cause is made in the search for industrial and fiscal policies which will reward the provider of capital and the wage earner alike through increased productivity. The focus of the debate has to change from the current preoccupation with income redistribution to a consideration of the ways in which additional real income can be created.

Prospects: For the Group, last year's growth continues in all divisions despite the uncertainties facing international business. I expect there to be a moderate increase in profit attributable to shareholders for the twelve months to the end of September next, provided there are no major shifts in exchange rates."

Peter Macadam.

Results at a glance

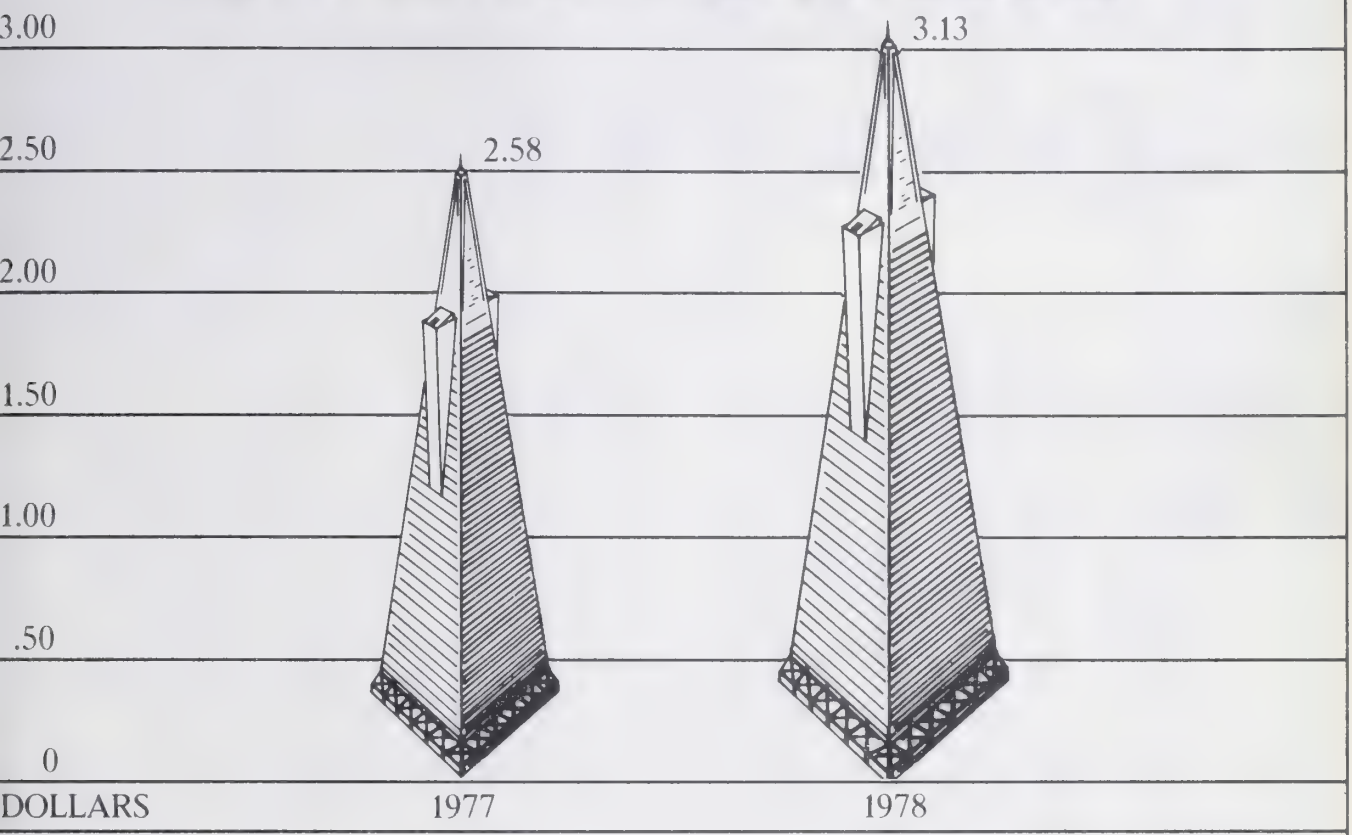
	1978	1977
	£ millions	
Turnover	**6,676**	6,212
Operating profit	**499**	473
Profit before taxation	**433**	416
Net profit attributable to B·A·T Industries:		
before inflation retention	**219**	235
after inflation retention	**166**	171
Dividends	**49**	44

B·A·T INDUSTRIES
LIMITED

Tobacco · Retailing · Paper · Cosmetics
Worldwide

Copies of the Report and Accounts and the full text of the Chairman's speech at the Annual General Meeting are available from: The Secretary, B·A·T Industries Limited, Windsor House, 50 Victoria Street, London SW1H 0NL.

A Record Year for Transamerica



In 1978, Transamerica's 50th anniversary year, operating earnings surpassed $200 million for the first time, reaching $208.3 million. This milestone was achieved only two years after annual earnings first exceeded $100 million in 1976.

Operating income in 1978 was $3.13 per share, an increase of 21 percent over 1977. After-tax return on average equity exceeded 19 percent.

Record performances were contributed by our life insurance, property and casualty insurance, consumer lending, entertainment and travel subsidiaries.

Transamerica

Mail to:
Transamerica Corporation
Corporate Relations Department
P.O. Box 7648
San Francisco, CA 94120

Please send me a copy of Transamerica's 1978 Annual Report.

Name _____

Address _____

City/State/Zip _____

F

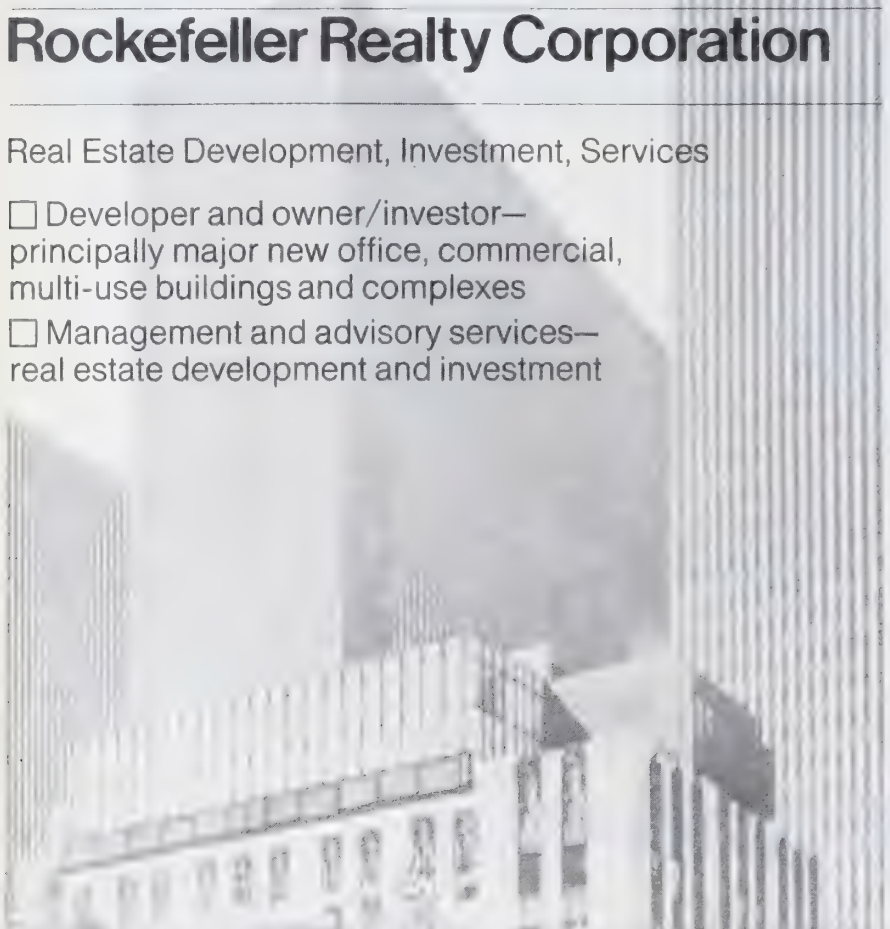
Profit from our experience

Rockefeller Realty Corporation

Real Estate Development, Investment, Services

☐ Developer and owner/investor—
principally major new office, commercial,
multi-use buildings and complexes

☐ Management and advisory services—
real estate development and investment



Rockefeller Realty Corporation
1230 Avenue of the Americas
Rockefeller Center
New York, N.Y. 10020 (212) 489-5990

John G. Burnett, President
Peter C. Haeffner, Jr., Executive Vice President

A Rockefeller Realty Group Company

Readers Say

for to the tune of $45 billion per y
—E. Hunter
Carmel, Calif.

We're not elitists

SIR: Your Feb. 19 editorial *("Public T misnomer of the TV age," Fact and Comme* took a narrow, circumscribed view.

Your comment ignores the mas number of American households reac by *Sesame Street, The Electric Company* all those other superb family progra These certainly reach the hearts (minds) of the inner city from Coas Coast, like nothing else on television

Public television serves many pub that, in aggregate, are far from elitist
—John Jay Iselin
President,
WNET
New York, N.Y.

SIR: I've lived alone since 1963. J Child taught me to cook; Jim Crocke plant and raise a garden; Robert J. L sema (of WGBH), to recognize and l good music; George Michael (the pu TV antiques expert), to be a knowle able collector in a modest way.

What have network TV and radio d for you?
—Edward E. Androvette
South Hero, Vt.

He didn't say it

SIR: In the article, "The high cos breaking up," *(Feb. 19)* you quote a Ho wood producer as saying, "Divo should be handled by accountants. W needs lawyers?" followed by "Says D ald Gursey, a C.P.A." etc.

The layout of these two quotes is r leading in that many attorneys w whom I work have called and obviou misread the quotations to read th said, "Who needs lawyers?"
—Donald L. Gursey
Los Angeles, Calif.

Give a copy to Congress

SIR: A lot has been written about burden to the businessman of filling government reports. Congress is ap ently taking some note of this situat but as usual in the final analysis much will be done.

My suggestion is that when a busin man fills out a government form, should mail a copy to his congressm
—Donald A. Smith
San Antonio, Tex.

Hart Schaffner & Professional

Viracle® Suit. Dacron® polyester and wool. From the Corporate® Collection.

Hart Schaffner & Marx®

36 South Franklin Street, Chicago, Illinois 60606. © 1979 Hart Services, Inc

We're down to earth.

When the Space Shuttle eased back to earth, automatic anti-skid brake controls manufactured by Crane's Hydro-Aire Division brought the historic test flight to a safe and successful conclusion. Just as they do on almost all commercial and military aircraft in service today. And have for 30 years.

Hydro-Aire. A division of Crane Co., where down-to-earth concentration on essential products for essential industries helps build a strong and growing business. In steel. In building products. In fluid and pollution control. And, of course, in aerospace and aircraft.

Crane Co., 300 Park Avenue, New York, NY 10022

CRANE

A combination of features found on no other car.

No other car offers you the sculptured styling of Eldorado Biarritz . . . its brushed stainless steel front roof . . . its distinguishing accents and script outside . . . its pillow-like seating areas tailored in leather inside. And no other car combines all this with front-wheel drive, four-wheel independent suspension, electronic fuel injection, four-wheel disc brakes, electronic level co —even side window defoggers. All standard. Wheth you choose to buy or prefer to lease . . . only your Ca dealer can offer you Eldorado Biarritz. One of a ki

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

DON'T LOSE PERSPECTIVE ON THE U.S.A.

is frighteningly unstable. Mexico's sore. China ignores vice on Vietnam. Other Arab nations are angry over the an-Israeli peace pact. OPECers swiftly kick up their of oil. Inflation's still climbing. Gold's orbiting into outer The dollar gets shortchanged with every headline crisis. 'd think from what you read and hear here and around orld that the United States of America was going to hell ucket.

is is hell, then the devil's got a lot of customers anxious in.

In every other land, America from sea to shining sea remains the ultimate in stability, opportunity, individual liberty, freedom and the unwavering *intention* to provide justice for all.

Our money, in its paper form, seems pale next to the Swiss franc, the mark and the yen. But, for the preservation of everything that money can buy, and for the freedom of mind and body that money can't buy, these United States are unequaled.

Let's keep our perspective as we wrestle with our problems and challenges.

IS PERSONAL DEBT OUT OF HAND?

of the high notes played by our innumerable trumpeters ession is the record size of consumer indebtedness. This , say they, that any day now consumers will sharply curb pending.

consumer debt simply isn't as out of hand as the total s would indicate.

e and more it's two- (sometimes three-) income families abitors who are buying durable goods, soft goods, cars omes on time. And the time over which payments can be ned grows longer as the amounts involved grow larger.

he monthly-payment pressure isn't bigger. The psychological reaction seems to be "so what" if monthly payments go for 30 years instead of 20. As far as buyers are concerned, it seems to be a matter of how much each month, rather than the grand total way down the road somewhere. So, too, with car sales and other major commitments (which now even include vacation packages). And it's not the lack of customers that is slowing down housing starts. It's the lack of money. Mortgage granters are hobbled by interest ceilings.

Benjamin Franklin wouldn't recognize this monthly-payment world, but that doesn't mean it's bad, immoral or—yet—out of hand.

THE VOICES OF GLOOM 'N' DOOM

ıder and more numerous every day.

ny thing, though. Of the three dozen CEOs I've had on to talk with in the past month, unlike the boss in this *Yorker* cartoon, only two have reported any actual overall urn in their own substantial companies. And these 36 the business spectrum.

ing so said, let us all knock on wood.

Drawing by Weber; ©1979 The New Yorker Magazine, Inc.

"I've been examining the brighter side, and, gentlemen, it doesn't look good."

COUNTLESS BAD ADS, AND ONE THAT'S GOOD

Those who adorn themselves in the names, insignia and initials of expensive Adorners appear more cheap than chic. Like wearing a high price tag. And the Makers who make billboards of their patrons reflect a tastelessness that verges on the vulgar.

Who can resist this stopper? We couldn't, and our first Polavision reel was of our twin granddaughters wobbling all over the lot, each on her first pair of skates. This is advertising that *sells*.

Polavision. Instant Movies from Polaroid
Seeing his first steps 90 seconds after his first steps, you hold your breath again.

POPE JOHN PAUL II SEEMS TO HAVE

all the makings that gave Pope John such a wide and deep influence on many of the world's people and their leaders.

It was said, when this Polish Cardinal was picked, that such status would put an end to Polish jokes. In fact, it brought forth a whole new outpouring. One of the first I heard was that, since the Vatican ceiling was in danger of collapse, they decided they needed a Pole to hold it up. A week later, in a superb *Time* cover story on Pope John Paul II, we read that actually "Pope John XXI (1276-77) was killed when the ceiling of papal palace collapsed."

And the same article reported a Roman cab driver as say "Why shouldn't we have a foreign Pope? After all, Saint P was one."

If his successful war-preventing mediation in the Argent Chile dispute is a harbinger, this pontiff is going to h powerful influence far, far beyond the Catholic Church its

SPEAKING OF POPES . . .

There was the one who appeared before the gates of Heaven at the same time as a lawyer. Saint Peter gave the Pope ordinary Heavenly quarters, raiment and treatment. But to the lawyer he gave the grandest suite and Heaven's best of everything. The confused barrister asked why he was being tre so much more lavishly than the pontiff.

Replied Saint Peter, "We have numerous Popes here, you're the first lawyer we've ever had."

SOUTH DAKOTA SENDS STATESMAN TO THE SENATE

South Dakota's newly elected U.S. senator (R.), Larry Pressler, has promised to introduce promptly a bill that would break up "media giants like the Dow Jones monopoly, which controls nearly all the national financial publications," like the *Wall Street Journal, Barron's,* and the Dow Jones news service.

While Dow Jones may consider this statement a mixed accolade, the several hundred other periodicals, services, newsletters, magazines, radio and television commentators on the financial scene are apt to feel slightly slighted.

Senator Pressler's motive comes into focus when one rec that the *Wall Street Journal*, in a front-page story, once scribed then-Congressman Pressler as "a show horse works hard to create an image, not to create laws."

Now that the freshman senator has reformed and emerge a would-be lawmaker, do you suppose he'll make it to surface of South Dakota's Mt. Rushmore?

WHAT A GREAT IDEA!

Presently there are about 15,000 miles of abandoned railroad beds in the nation, and, if dollars and common sense are allowed to prevail, there soon should be thousands more from Amtrak abandonments.

The Department of Interior, which too often presents obstacles to the use of the 500 million acres that come under its aegis, is moving to convert portions of these abandoned rail rights-of-way into bicycle, jogging and hiking trails. It bud ed $5 million last summer for pilot projects in nine states received requests for $70 million in projects—and the wor now under way.

Isn't that a truly splendid idea? What a wonderful wa make a useless thing into an infinitely useful and enjoy something.

SURE JINX

hen our kids were young, we used to load the five of them two Norwich terriers into the station wagon and drive) miles from our New Jersey home to a cabin in Moose, ming. Invariably, my wife would go through the roof—ost literally—when either I or one of the kids would ob-, several hundred miles down the road, that "Thank ness, we haven't had a flat tire," or "Gee, Mom, none of notels have refused the dogs yet."

e was absolutely convinced that verbalizing such luck ld almost instantly change it.

cently, we had embarrassing confirmation of that widely espoused theory. The Jan. 15 issue of *Fortune* carried in its letters to the editor section two pictures—correcting misidentity in captioning in a previous issue. I sent the page along to our editors and copy people, observing that at least we weren't guilty of errors that flagrant. Naturally, it was in the very next issue that we identified Westinghouse's vice chairman and chief operating officer, Douglas D. Danforth, as CEO Bob Kirby, who happens to be known personally to several FORBES staffers.

What do you imagine is the Force enforcing this Law of Jinxing?

IN JOB-SEEKING, THE NEXT DUMBEST THING

arking envelopes to prospective employers "personal and idential" is overtooting, overtouting. The thought came to l reading this gem:

our friends, contacts, and business associates need to be alerted to my abilities. Certainly many of their organizations could withstand [Yep, "withstand" is what the man wrote] an infusion of marketing ingenuity and aggressiveness."

I'd guess they might withstand this job application, too.

TOO LITTLE
usually lasts longer than too much.

TOO FEW
accomplish twice as much as too many.

A POOR COUNTRY LEARNS ABOUT MODERNIZATION

By M.S. Forbes Jr.

PEKING—China's great need for nodernization becomes readily apparent to the visitor. In wintry Peking ne finds bureaucrats and officials vearing heavy clothing inside beause many government office buildngs lack sufficient heat. Go to a store: The abacus is used instead of a cash egister. Go to a construction site: There are few trucks. Dirt is removed n carts pulled by people in harness. One sees cement blocks weighing perhaps 1,500 pounds being hauled on atbeds, each pulled by one man. Horsepower in China is literally just hat. Outside Peking, work animals, hin and calloused, are everywhere.

The Chinese make no secret of all f this. Wherever one goes—factory, chool, commune—the officials inariably end their speeches with omething like, "We are backward nd we are looking for assistance from he industrial countries."

China recently shocked Japanese usinessmen by delaying or canceling arge orders for industrial equipment. The Chinese have been dragging their eels with a number of European and American businessmen as well.

This, of course, is a significant hange from only a few months ago vhen China seemed to be on an interational buying spree. But now bueaucrats have been adding up the cost of their original modernization plans and they're starting to realize that they can't do everything at once. As one official put it to this writer, "The goals have not changed, but the stress has." Before you build a copper smelter, for example, you must first develop the copper mines.

In addition to the lack of money, another serious problem is China's shortage of skilled workers. Some of our group ran into several European engineers working at a supposedly secret Chinese factory utilizing advanced foreign technology. The engineers' tale of woe was long. The Chinese didn't know how to operate the sophisticated machine tools; inventory control and quality control were alien ideas. Said one engineer, "It takes 16 weeks for them to do one or two weeks' work."

The lack of skills was exacerbated by the Cultural Revolution. The visitor quickly learns how devastating this movement was to China's development. Universities were closed down. Studying was condemned as "bourgeois" and "selfish." Research and development ground to a halt. A generation of youngsters lost a critical decade of education.

It would be a mistake to underestimate this country's ability to modernize, however. The desire to learn is palpable. More important, the Chinese seem now to recognize the potency of incentive. Everywhere officials will tell you, "Politics should not interfere with economic laws."

Take China's communes. Farm laborers earn "work points." The more you do, the more work points you are awarded. When cash is received for the crops, the amount of money the peasant receives is determined by the number of work points he has earned.

The Chinese government is no longer embarrassed by the private plots. At one commune, we were told that while private plots made up only 7% of the tillable land, they produced 25% of the value of the brigade's output. Under new government rules, the more a commune produces, the higher the price per increased unit of output the commune receives.

The Chinese are experimenting with incentives for the factories as well. When one of our group asked trade union leaders what their chief function was, they replied, "To increase worker productivity." The Chinese are not only interested in merely enlarging output. One official asked this writer, "Do your engineers study economics and finance? How are they taught to be economically efficient in their work?"

All this, of course, should not be taken to mean that China has become a hotbed of laissez-faire capitalism. Far from it. But ideology is taking a backseat to economic development.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.—MSF

Bravo!

Intelligence is an operation that has to be run with as little political interference as possible. By political, I mean the Congress and the President. All the mistakes cited against the CIA have occurred at the express direction of several Presidents. How do you expect an agency made up of highly professional people to maintain their capabilities if the press is constantly harassing the organization on problems not of their creation? How do you expect a foreign nation to make it possible for us to acquire intelligence from them when the sources are immediately spread across the press and all of the media? I think it is time that the media take a good, hard look at themselves and assess the damage they have done to intelligence in this country and to take a position of helpfulness rather than anti-intelligence.

—Senator Barry Goldwater, *Wall Street Journal*

Universal Harmony

Einstein's God was the God of Spinoza, the 17th-century philospher who believed that God revealed himself in the structure of nature. "I believe in Spinoza's God who reveals himself in the orderly harmony of what exists, not in a God who concerns himself with the fates and actions of human beings," Einstein once wrote. He was certain that God would have chosen a simpler structure in nature rather than a complex structure. Einstein couldn't accept the notion that God would have structured matter so that randomness governed its behavior. "I shall never believe that God plays dice with the world," he said.

—William Stockton, *The New York Times Magazine*

High-Priced Bargains

There are people in this world who have expensive hobbies. There is the fellow who bought a bottle of Bordeaux wine for $29,000. I, however, grow vegetables. Vegetable growers indulge their land as they would never indulge their children. There are thousands of us, each tilling God's Little Sixteenth Acre with fortune and fanaticism.

But we have all come to this state for the simplest and most attractive of all reasons: Vegetable gardening works. It is relatively reliable and relatively controllable. Relative to the rest of life. The average parent may, for example, plant an artist or fertilize a ballet dancer and end up with a certified public accountant.

Gardening is also much more predictable than governing. If you try to fertilize foreign soil with billions, it may ungratefully sprout a generation of anti-Americans. Pour money into an antipoverty program and you may have only nurtured another middle-class bureaucratic weed. In real life, it is increasingly hard to know what is needed, who the enemies are and what the results of our best efforts will be, whether we are working in science or education. But in the garden, friends are as obvious as the sun. Enemies are as real as the root borer. The goal is as tangible as a head of cabbage. You don't need a consultant to assess failure and success. Under those fertile circumstances even the tomato that ends up with a $1 price tag begins to look like a bargain. At least it's one investment you can sink your teeth into.

—Ellen Goodman, *Boston Globe*

Invading Japan

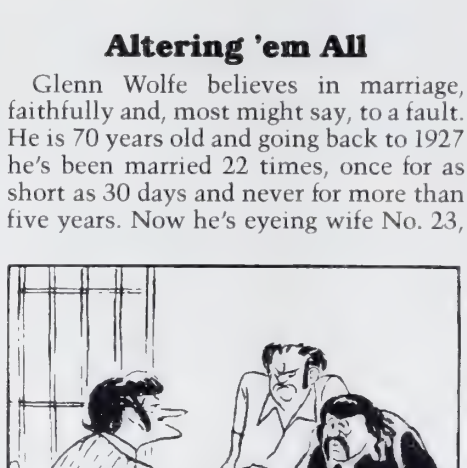
As Trade Negotiator Robert Strauss puts it, "We could have landed a thousand tanks in Japan 30 days after Pearl Harbor easier than we could land a thousand Ford cars today."

—*Time*

Altering 'em All

Glenn Wolfe believes in marriage, faithfully and, most might say, to a fault. He is 70 years old and going back to 1927 he's been married 22 times, once for as short as 30 days and never for more than five years. Now he's eyeing wife No. 23, Eve Mejias, a 17-year-old who is wa for a court in Blythe, Calif. to act f ably on her petition to be declare adult so they can wed. Most of his riages ended in divorce, but Mr. W said that this time he is "as clos heaven as I can get." Why, he ad "No. 20 called yesterday and wante come up with the baby."

—*The New York Ti*



"Crime's getting out of hand—while we were robbing the bank, someone stole our car."

A surprisingly high percentag the food we eat and think of natural has toxic substances t wouldn't pass the rat tests quired of all additives.

—Dr. Nevin Scrimshaw, hea Dept. of Nutrition & Food Scie Mass. Institute of Technol

Petticoat Covering . .

Nowadays LV can be found on mill of valises, handbags, eyeglass cases, club covers and tarot decks, among o things, and it is hard to believe the anyone left who doesn't know that LV stands for Louis Vuitton, no n man, but a poor boy who got his big in life wrapping the petticoats of N leon III's wife.

—*Town & Cou*

Green-Grass Research

The first question at Research and velopment is: What can Honda bu That's the sort of question designer-e neers ask. Quite different is the star point of the market analyst: What the consumer want and what will buy? The designer can visualize mo cycles undreamed of in Peoria. The sumer, the designer might argue, always give market pollsters unimag tive responses because the public ge ally sees [future] motorcycles as ex sions and refinements of [this ye machines.

—*Cycle* maga

Grade Inflation

A new report shows that this ye crop of college freshmen entered w the best high-school grades in hist Nearly one in four had an A aver compared with about half that numbe 1969. Good news? Says UCLA P Alexander W. Astin, director of the nual survey: "When these grade creases are considered in the light declining scores on college-admiss tests, it seems clear that the second schools' grading standards have b steadily declining since the late 1960

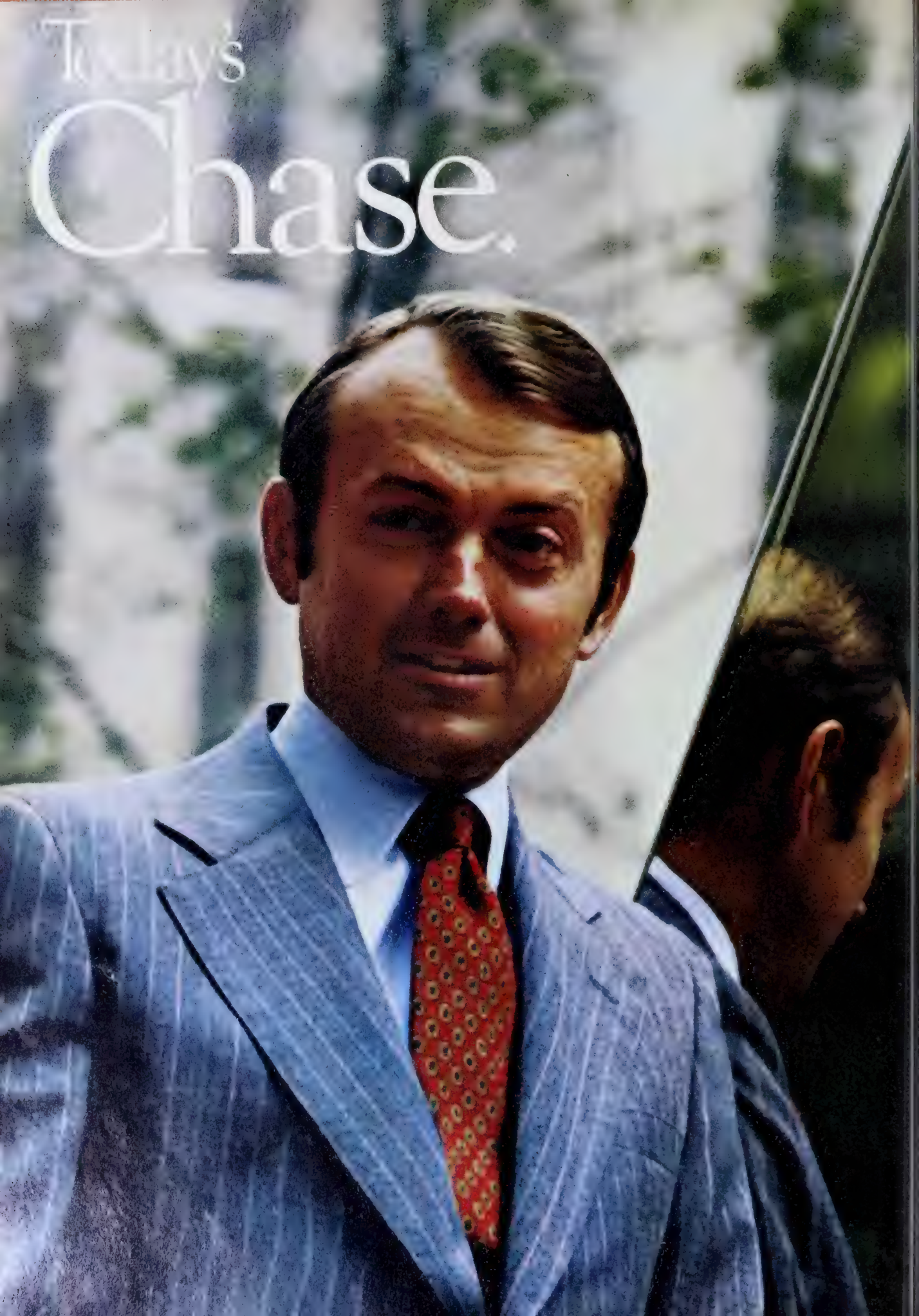
—*U.S. News & World Rep*

Since you have to pay the penalty for being in your bracket, you might as well get some of the rewards.

12 YEARS OLD WORLDWIDE • BLENDED SCOTCH WHISKY • 86 PROOF • GENERAL WINE & SPIRITS CO., NEW YORK, N.Y.

Today's

Chase.



"We're the bankers for international business."

"Export financing gets unbelievably complex today. A big multinational company may manufacture components in three or four countries, assemble them in a couple of others, and ship finished products all over the world. Because we're worldwide too, we can work out a variety of financing arrangements, and in several currencies if need be."

"Fast response is vital. Our export customers must know what our terms are well in advance of their final bidding deadline. So we get back to them quickly."

"Our division serves all kinds of heavy industry companies, and all sizes too. The common denominator that jumps out is their need for export financing. Our financing know-how helps them sell their products all over the world."

"Chase's ability to leverage its strengths as a worldwide bank to meet a customer's needs has always been one of its most important assets."

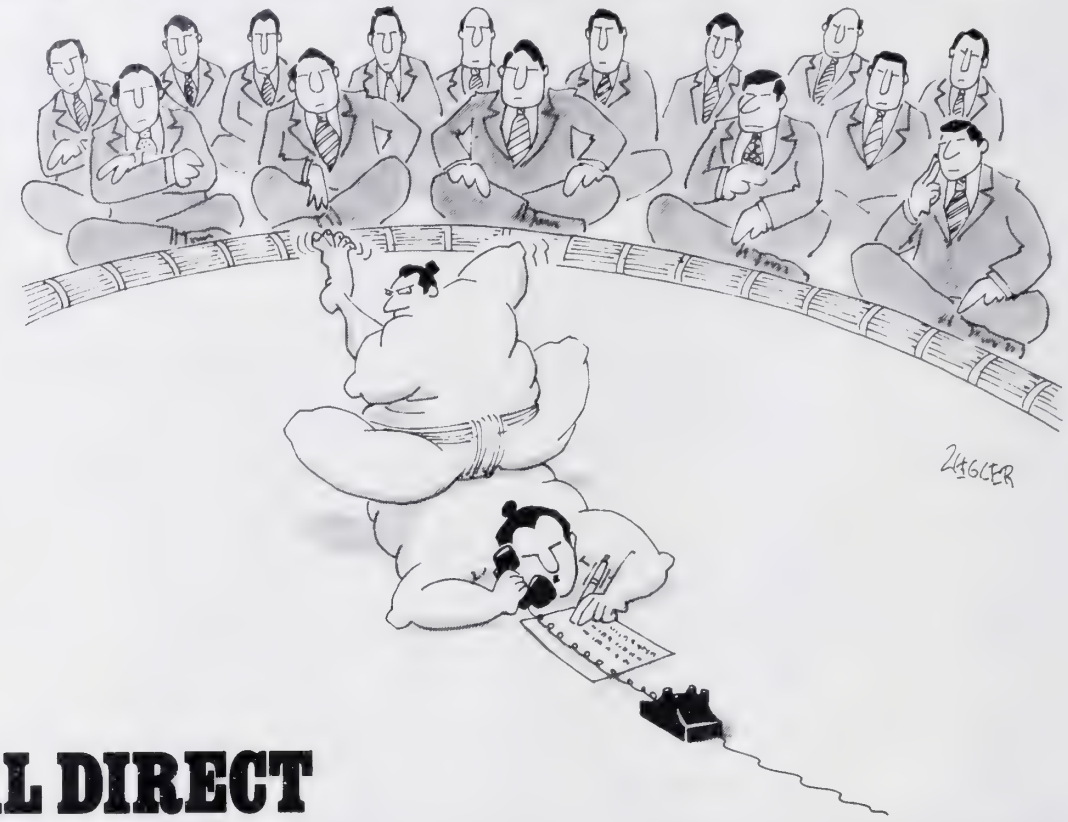
The Chase Bank. A worldwide network of branches and affiliates providing vast sums of money and essential banking services for clients in over 100 countries. What we offer is yours through your Chase Relationship Manager. Call on today's Chase Bankers today.

CHASE

ıs C. Longwell
President/Division Executive
ɔtruction Machinery & Industrial Equipment

©CHASE MANHATTAN BANK, N.A. 1979/MEMBER FDIC

HOW TO TALK TURKEY TO TOKYO



DIAL DIRECT

If you have International Dialing, the world is only a chopstick away, because you can call anywhere, all by yourself. Here's Tokyo. Just dial:

INTERNATIONAL ACCESS CODE COUNTRY CODE CITY CODE

011 + 81 + 3 + LOCAL NUMBER

There's money in it for you, too. A saving of $1.20, which is more than 13% on a 3-minute call to Tokyo.

ALMOST DIRECT

Until your area has International Dialing, here's the way to make a fast overseas call. Dial 0, and be ready to tell the Operator the country, city and local phone number you want and whether your call is Station or Person. The less time you spend on your end of the call, the faster you get to the other. And you leave the Operator free to handle more calls, more quickly. And on Station calls not requiring special operator assistance, you can get the same low rates as International Dialing.

P.S. Everyone can dial direct to Canada, the Caribbean, Alaska, Hawaii, and parts of Mexico–just as you dial direct to cities inside the continental U.S.

Selling sushi or saying sayonara, keep a record of the country and city codes and the phone numbers, and use them to call the world–fast.

CODES FOR PRINCIPAL CITIES IN JAPAN (81)

Chiba	472	Kobe	78	Sakai	722
Fukuoka	92	Kyoto	75	Sapporo	11
Hiroshima	822	Nagoya	53	Sendai	222
Kawasaki	44	Okayama	862	Tokyo	3
Kitakyushu	93	Osaka	6	Yokohama	45

Bell System

er nosing past Master Charge in the credit-rd race, Visa is ready to try playing American press' game. This one looks a lot tougher.

Visa takes aim at American Express

By John Merwin

DIZZY DEAN WERE still around, he night admire the boisterous style of Visa President Dee W. Hock. In a l filled with financial executives to subtlety or silence, Hock likes to about how Visa is setting the charge-world on its ear and what Visa will chief competitors Master Charge American Express. Some might call 's act pure hotdog, but as Dean, the St. Louis Cardinal pitching genius natural philospher, would say, "It braggin' if ya done it."

leed Hock and Visa International done it. Operating as a private cor-ion owned by its 11,300 "mem-(mostly banks), in five years it has oped a worldwide marketing force, highly sophisticated computer pro-ng centers and has united scores of ent bank cards under one interna-l banner. During the last two years umber of Visa cardholders has in-ed 64% and the volume of transac-billed has risen 91%, coming most-om retail stores and restaurants. merely an also-ran to Master ge, Visa today has surpassed Master ge worldwide in cardholders and in volume *(see chart, p. 45)*, though er Charge retains the lead in U.S. ne. Now it is trying something tougher, taking on American Ex-in the travel-card and traveler's-markets.

ical of Hock's boisterous procla-ns is his latest about the bead Visa is drawing on American Express. "Within five to ten years we expect to be neck-and-neck with whoever happens to be the leader in traveler's checks," Hock explains, politely omitting the leader's name. "We are going to nibble at American Express' travel-card market, too," he adds. (He is far less concerned with the less threatening Diners Club—2.5 million regular cardholders—and Carte Blanche, 800,000 cardholders.)

Visa President Dee Hock
Subtlety is not his strong suit.

Hock, 50, was reared in a small Utah town and attended school through junior college. He spent 22 years in consumer finance before accepting the Visa presidency nine years ago. He is a hard-driving man who has surrounded himself with an aggressive, talented staff.

Two factors, one ironic, account for Visa's recent success against Master Charge. Until 1976 Visa would not allow a bank pushing Master Charge to issue a Visa card, believing the two systems should compete from separate banks.*

Three years ago—here is the irony—the Justice Department *forced* Visa to allow Master Charge banks to issue Visa cards. Because far more banks issued Master Charge than issued Visa, most of them quickly added Visa cards to their programs, dramatically driving up Visa's volume and number of cardholders.

Hock's baiting of Master Charge seems to be hitting its mark on John J. Reynolds, president of Interbank, who at times is obviously irritated by Hock's statements. "I try to reply only when his comments are obviously flip and unfair to our industry," says Reynolds, whose counterpunching style differs greatly from Hock's aggressive approach.

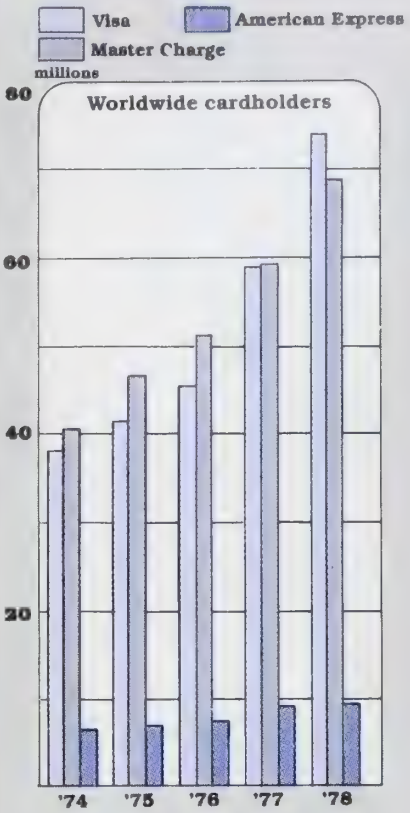
The second reason for Visa's overtaking of Master Charge is its more nimble style. Visa is fashioned as a typical corporate hierarchy whose executives can move fast; Master Charge, governed more by committees, moves slower.

The result has been several important firsts for Visa. Today Visa is known worldwide under one trendy name, while Interbank uses several different names. Visa has surged ahead in foreign markets, leaving Master Charge to play catch-up. Visa was first to introduce a debit card used much like a check—the buyer signs a sales ticket authorizing a deduction

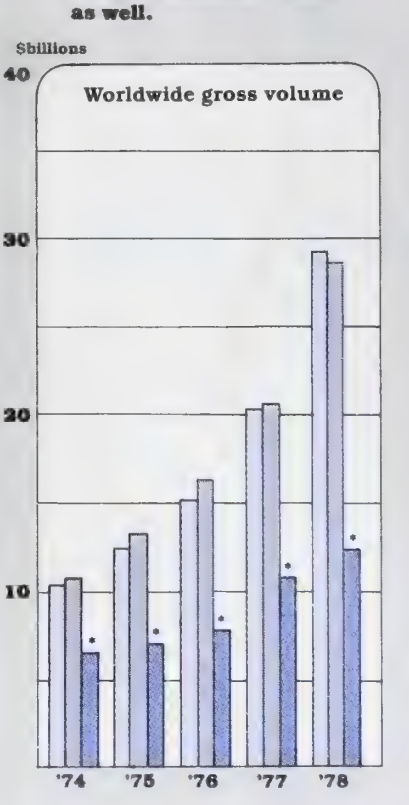
**Because at one time Visa's predecessor, BankAmericard, was owned by Bank of America, many banks were unwilling to issue a card bearing BofA's name. So they formed a rival organization, Interbank Card Association, and began issuing Master Charge cards. Master Charge quickly overtook BankAmericard and remained ahead until last year.*

Charge!

Visa has now taken the lead in numbers of cardholders . . .



. . . and in the gross volume of business billed as well.



*estimated by Merrill Lynch

from his checking or savings account. Master Charge hopes to get its debit card into circulation later this year.

The stakes in the Visa-Master Charge race are getting bigger daily. Banks love to extend credit on charge cards. Such loans—most fetching interest at an annual rate of 18%—have risen 120% in the last five years. Meanwhile, the delinquency rate on these high-interest loans has dropped from 2.89% to 2.74%. Facing a strong challenge from Visa, Master Charge increased its advertising budget 40% last year, but still lost ground and headlines to Visa.

Perhaps the most frustrating race Master Charge is losing to Visa is in the traveler's-check business. Not long after Master Charge beat Visa to the punch by announcing a traveler's-check program, Citibank, which issues its own checks, sued Master Charge, claiming that bank tellers could squeeze Citibank and others out of the market simply by pushing Master Charge checks over competitors'. The suit has stalled the Master Charge program dead in its tracks.

Visa, meanwhile, is driving full bore into the traveler's-check business, dominated by American Express since 1891. Precise figures aren't available, but American Express is believed to control 60% of the traveler's-check market, with most of the rest spread among Bank of America, Citibank, Barclays and Thomas Cook. On average last year American Express had $2.1 billion in float—the proceeds of checks purchased by travelers but not yet cashed—much of it invested in tax-free obligations.

To challenge American Express' dominance in traveler's checks requires a willingness to fight the company's reputation and its staggering advertising budgets. What makes Dee Hock and Visa think they can do it? First, Visa is offering major banks an opportunity to sell Visa traveler's checks beginning next fall. They keep the float themselves. Sounds good, but the check business is loaded with front-end costs for printing, selling, security, bookkeeping and clearing, which can cost a bank plenty unless it sells a good volume of checks.

Sensing this uncertainty, Visa has geared its new promotional campaign to a second appeal of the checks, an ego factor. Displaying the bank's name prominently at the top of a check, Visa's ads scream at prospective issuers, "Sell this check and promote your own bank's name." The largest takers so far are Wells Fargo, Western Bancorp, First National Bank of Chicago and Barclays. The key participant is Barclays, currently the fourth-largest issuer of traveler's checks, which will bring valuable experience and credibility to the Visa effort.

Visa's battle against American Express will be a tough one. A FORBES survey of 20 of the largest U.S. banks indicates that many are either sitting on the lines waiting to see how Visa fare planning to stand pat with their cu American Express check program.

Besides advertising expertise, A can Express holds one other trump It can easily sweeten its present with banks that sell American Ex checks. It could, for example, let banks hold sales proceeds longer b forwarding them to American Exp "Before we sell a single traveler's che Hock quips, "banks are going to ge proved deals from American Expr One banker notes American Express are already "a bit more humble than ever seen them."

While Visa is preparing its assau the American Express traveler's-c business, it also is busy trying to vince potential cardholders that the charge most anything on a Visa card can be charged on an American Ex card. If cardholders are convinced, would be bad news indeed for Amer Express. Why should a cardholder $25 a year for an American Express when a Visa card is free? And why sh a merchant give American Express a ger cut (typically 3.6% of the purc than Visa (usually 2.5%) and put up not being paid as quickly?

Logical as these questions sound, don't take into account American press' considerable snob appeal.

Several years ago a leading hotel c began suggesting that its guests ch their bills on a bank card instea American Express. So many patrons tested—"What's wrong with my Am can Express card?"—that the c quickly dropped the suggestion. T half of the chain's charge-card custo use American Express.

But that isn't the only reason innk ers love American Express. Amer Express travel agents send lodging b ness their way. The company also sp millions of dollars each year cospon ing ads with hotels and restaurants accept the American Express card. N rally, the more business you do American Express, the more gene American Express can be.

Last but not least, the American press card does have several advant for the globe-trotting businessman, s as no credit limit, check cashing p leges, special billing procedures and course, that snob appeal.

While the bank cards aren't abou steamroller American Express, Hoc Visa is ready to try. "For the last fiv ten years American Express has b without major competition in the tr and leisure market," he says, almost voring the seeming odds against h "They've got good coverage and the r keting expertise." If Visa whips Am can Express, then Hock will really h something to brag about. ■

oo bad they weren't destroyed in the war," s a Frenchman of his country's aging steel lls. What bombers didn't do in 1945 the vernment is doing now.

The cross of Lorraine

ncial workers and far-Left students taking to the streets of Paris
ite appearances, President Giscard d'Estaing hangs tough.

By Lawrence Minard

SINCE 1974 President Giscard d'Estaing's unflinching determination to end costly government supports for France's feeble steel industry has resulted in the elimination of well over 20,000 jobs. In the coming 18 months the giant partly government-owned SACILOR and USINOR groups, which between them account for over 80% of France's 33 million tons of steelmaking capacity, plan to fire 22,000 more steelworkers. Reaction was slow in coming but anger is now building fast. In the north of France and in Lorraine, historic heart of the French steel industry, workers earlier this year: marched 50,000 strong through the streets of Metz demonstrating against government policy; wounded seven policemen in Denain with rifle fire in the night; ransacked steel employers' offices in Valenciennes and Metz, and disrupted rail service and occupied a television station in Longwy. Last month their fury spread to Paris, where over 60,000 workers, most of them from Lorraine and the north, swarmed through the streets smashing windows and roughing up policemen in the Place de l'Opéra. Over 200 people were injured, including 60 cops, before the mob was dispersed.

The *cri d'angoisse* is most plaintive in Lorraine, which must bear the brunt of this economic cross. For nearly a century it has been to the French steel industry what the Pittsburgh area has been to American steel. In 1974, when French steel production peaked at 27 million tons, Lorraine's drab steel towns along the Moselle, Orne, Chiers and other local rivers accounted for over 53% of the total. That year Lorraine employed over 84,000 steelworkers. "By 1981 there will be 41,000," says Jean-Claude Ralite, 43, a top planner with APEILOR, a state agency working to diversify Lorraine's industry. "That statistic," Ralite says with a trace of despair, "gives you some idea of what we're going through."

Lorraine's steel crisis has been building for decades. The area's iron ore and coal deposits—seized by Germany in 1870 and again in 1940—have been steadily depleting. The mills are inland; transportation economics now favor coastal installations. Worse, the mills themselves are hopelessly out of date. "The German steel industry was lucky," says a Metz industrialist. "When we won the war we looted whatever machinery wasn't bombed. We ended up with antique mills, while Germany used your Marshall Plan to build brand-new ones. It's too bad *our* mills weren't destroyed!"

Nor, because of suffocating government price controls, was there much incentive for French steelmakers to modernize. The labor force was sacrosanct—no firings. The more the mills deteriorated and job redundancies grew, the more

money the government threw at the industry in an ultimately futile attempt to preserve jobs. France became one of the most labor-intensive steel producers at a time when French labor was not cheap. France produces just 149 tons per worker, *vs.* 190 for Germany, 249 for the U.S. and 327 for Japan.

Says Michel Barba, a wavy-haired consultant recently appointed director of the USINOR group: "French steel is the only industry I know of that was never limited by the availability of money. By last December our [the industry's] debt totaled over 35 billion francs [$8.3 billion]—one entire *year's* sales. And debt service! The annual service came to 5 billion francs [$1.2 billion]!"

Belatedly, but firmly, the government is now facing up to these problems. It has eliminated price controls. It is giving management a free hand in firing workers. It has guaranteed the industry's $9 billion debt, but is refusing to give any more money. To make sure the debt is paid, it has installed a banker, Paul Mayoux, as chairman of SACILOR (sales: $2.3 billion) and Claude Etchegaray as head of $3 billion sales USINOR. Both are known as tough managers.

France is not getting out of the steel industry altogether. Instead, it is relocating its mills from the interior to seaside locations: Dunkirk in the north, Marseilles in the south. The new 3.5 million-ton-capacity Fos works near Marseilles, jointly owned by USINOR and SACILOR, is said to be at least as productive as the most modern Japanese mill; officials hope to export its output throughout the Mediterranean basin.

Where does that leave Lorraine? Hurting badly, and with the pain about to mount sharply. Its first steel layoffs, between May 1977 and last November, resulted in the elimination of 16,000 jobs. "But the phase-one cuts were not painful," says a young government planner, explaining that virtually all of the 16,000 cuts came from early retirements and job transfers. The hard-core unemployed amounted to only 1,800. "And over 1,200 of those were foreign workers."

The second phase, in which another 15,000 jobs will be eliminated, begins next month and will continue until the end of next year—just before Giscard d'Estaing must run for reelection. Here is where the cry of anguish has already begun to be heard. These jobs are held by *Frenchmen*—most of them under 50. What will they do to earn a living? "There is only one solution," says APEILOR's Jean-Claude Ralite, "and that is to create *new* jobs. Our effort is now going in that direction."

Armed with generous government subsidies, APEILOR has already rounded up some 8,000 new manufacturing jobs, mostly related to the automobile industry. Ralite's eyes are now set on a real plum: Ford Motor Co. says it will build an 8,000-employee assembly plant somewhere in Europe. Lorraine is under active consideration—Henry Ford II plans to discuss the matter with Giscard d'Estaing this month—but other European governments are offering their own juicy incentives. Ford won't make a decision until summer. If Ford should go elsewhere, hopeful rumors persist that General Motors is interested in locating in Lorraine.

Whether Ralite and his planners will be able to create over 15,000 new jobs 1981—when Giscard d'Estaing must ju tify his tough steel modernization po cies to the voters—is far from a sure b But thus far, Giscard d'Estaing and Prir Minister (and former economics prof sor) Raymond Barre show no signs backing off from their brutal steel mo ernization program—or even slowing t mass layoffs. Perceiving no threat fr the French Left, d'Estaing and Ba clearly think they will weather the poli cal storm that has broken. ■

Outside money, the Metro and what they ca "generators" are beginning to make a majo difference in downtown Washington.

Reversing an exodus

By Fern Schumer

THE NATION'S CAPITAL is in the midst of a building boom. With the occupancy rate on commercial office space at 99%, the highest in the country, downtown Washington bustles with over $1 billion in projects under way. No boom is eternal, of course, and office space in the District's central business area could be overbuilt by 1981. But today's boom is still a boon for the local economy.

Ponder this: In one square mile between the White House and the Capitol, 16 new public and institutional structures and 35 new private buildings will rise by 1981. They will add 2,600 new housing units, 5,300 new hotel rooms, 8.2 million new square feet of office space, 1.3 million square feet of stores and 6 million square feet of public facilities.

To top it off, 64% of the buildings to be completed in 1979 are already leased. Rents are up over 45% in the last four years, hitting $14 per square foot for prime space. And in the next two years rents are expected to be anywhere from $15 to $18 per square foot.

Total office building construction around the nation has recovered mightily since the recession—from $3.9 billion in 1975 to $10 billion in contracts this year, according to the F.W. Dodge Division of McGraw-Hill Inc. Some cities, such as Houston, didn't stop growi even during the recession. But Washir ton has something special going for it, course, namely the federal governme Fueling part of the Washington buildi boom is the proliferation of attorne accountants and trade associations the to contend with the government's ev expanding role in everybody's busine Then there's Metro, the new subway sy tem, luring developers to the blight area east of 15th Street.

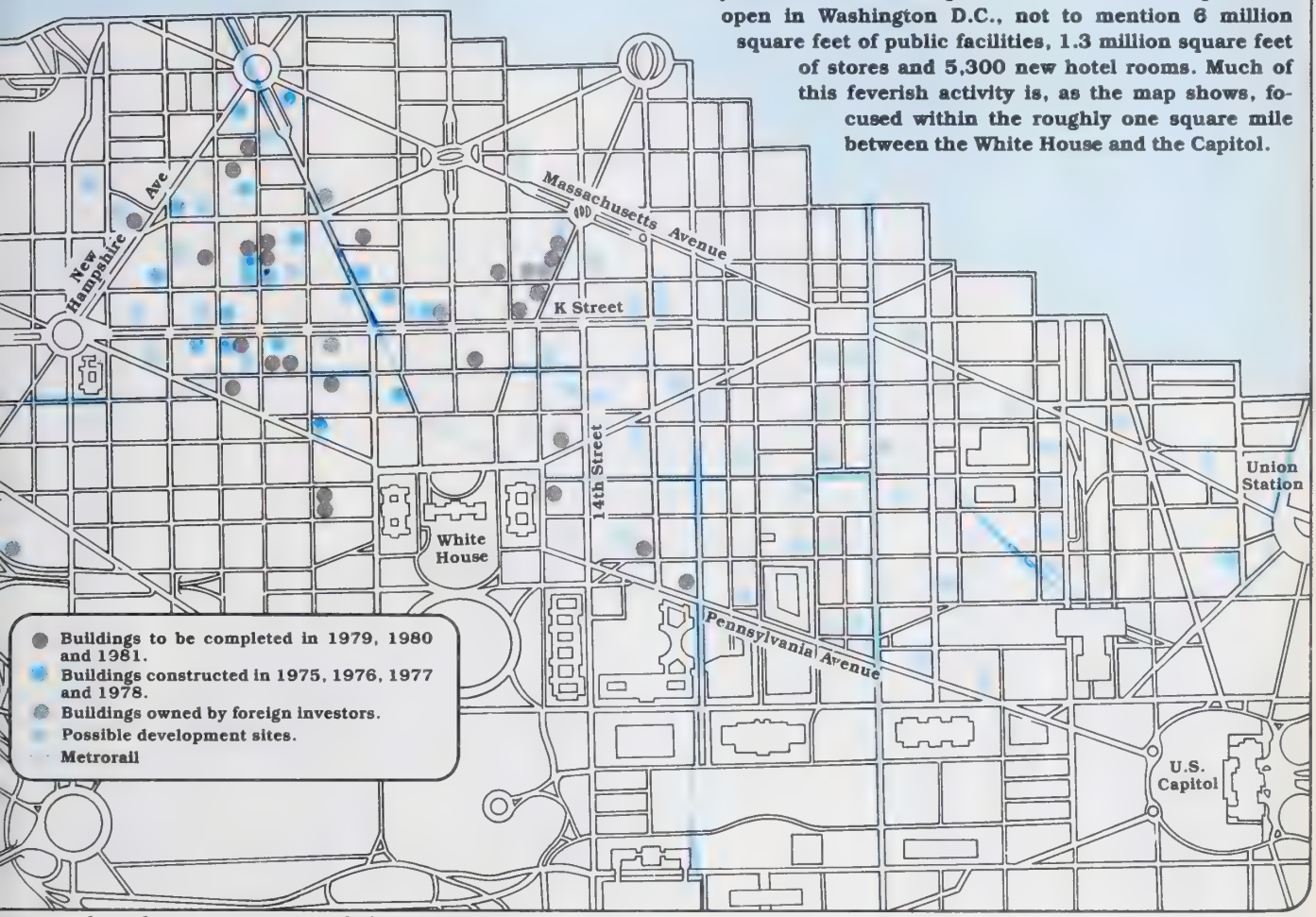
"Generators" is a real estate word structures that create spin-off develo ment. For instance, developers plan build three buildings on the Thomas C cle block, where the main trade now prostitutes. Why? Because the city pla to build a generator—the Washingt Civic Center—three blocks away.

Big out-of-town money has shown u including Boston developers Cabot, Cab and Forbes, as well as Marriott Cor Sheraton Corp., Prudential Insurance a New York Life Insurance. Demand for t downtown buildings that come on t market is fierce. A good site is difficult acquire and sure to be expensive. Foreig ers want in, too. It is rumored two Cana an firms made the largest purchase in D. history, $50 million, for one building.

But the supply is limited because good many owners would rather not se James O'Brien, vice president of t Washington office of Coldwell, Bank

Washington's real estate boom

By 1981, 8.2 million square feet of new office space will open in Washington D.C., not to mention 6 million square feet of public facilities, 1.3 million square feet of stores and 5,300 new hotel rooms. Much of this feverish activity is, as the map shows, focused within the roughly one square mile between the White House and the Capitol.



nmercial Brokerage Co., one of the ion's largest real estate chains, ex- ns that reluctance: "What are you ng to do with the money after you sell uilding? Invest in another building? y bother when you're getting high urns and have the best investment urity in the country? And to sell ans you have to pay capital gains es." The tax on a $5 million gain, for mple, could be more than $1 million. ven so, of the large downtown build- s partially or completely sold in the four years, about 50% have been ght by foreigners. "The vast majority foreign investors are competing for nership on a very small corridor of the ," says real estate attorney Richard dyac, who represents more than t Arab investors. "They want basic ce buildings in a highly desirable area. ey recognize they may pay quite a bit re than a building is worth, but they'll a fairly decent return and the appre- ion value is there."

bout 95 possible development sites exist in the metropolitan area, on ch about 40 million to 50 million are feet of office space could be built, ording to a Coldwell, Banker survey. at includes building in the surround- ing suburbs, which also has been boom- ing.) One man likely to be involved in whatever comes next is Oliver T. Carr Jr., president of the Metropolitan Wash- ington Board of Trade and of the private- ly held Oliver T. Carr Co. Carr's com- pany is the largest private developer of downtown projects with developments representing about $500 million in in- vested capital in the city. Says Carr, "Al- though D.C. has one of the largest central business districts in the world, land is a limited resource and it won't be expand- ed." What's more, the District has a spe- cial advantage—or disadvantage. Wash- ington zoning laws prohibit buildings over 130 feet high except on Pennsylva- nia Avenue, where 160 feet is okay.

Carr was a small single-family home builder who saw an opportunity and built—when the 1968 riots and the burn- ing sent other developers into surburban Virginia and Maryland. That supreme confidence in the city has made Carr today the bellwether of Washington's flourishing downtown building market. His company has built and hopes to build about 10% of Washington's private of- fice space. He owns, has developed, leases or manages nearly 30 big buildings in the downtown area. But Carr is very secretive about total investments in his projects, his annual income and his own net worth.

To hear Carr tell it, his insight to re- turn to the city was no great prophetic vision. "I just didn't think the city was dying. The exodus of other developers allowed us to enter a market where only a couple of people were still working.

"Besides," he adds offhandedly, "the less you have the more you can take. Fifteen years ago, there wasn't much to risk, so I could be very brave."

Carr, for one, thinks there's a lot more money to be made. "The revitalization of the whole downtown area is only 50% complete now," he says. "We will need a major revitalized shopping area, theaters and more entertainment. The public spaces in the whole downtown need to be reexamined and rebuilt in many cases. So, there's still a long way to go."

But newcomers and amateurs had bet- ter take care as they go up against the professionals. Predicts Coldwell, Bank- er's O'Brien, "We anticipate an overbuilt office situation in downtown Washing- ton in about 1981 or 1982.

"Virtually all prime remaining parcels," O'Brien cautions, are "being picked over by both users and developers." ■

This blunt economist and businessman blames President Carte Administration—not business or labor—for the latest burst of infl tion and for a messed-up energy situation.

Ex-Treasury Secretary George P. Shultz

Only Henry Kissinger was more important to the Nixon Administration than George P. Shultz, Nixon's coordinator of economic policy from 1972 to 1974. An economics professor trained at M.I.T., this former dean of the University of Chicago's Business School became the first man in history to hold three cabinet posts: Secretary of Labor, first Director of the Office of Management & Budget and Secretary of the Treasury.

Shultz was one of the few top Nixonites to emerge with his reputation unscathed, free from the taint of Watergate and having gained a solid reputation both as an administrator and policymaker. Today, at 58, he is president of Bechtel Corp., the construction company, and a professor at Stanford Business School where he lives on campus. His directorships include Sears, Roebuck & Co. When Sears recently sued the U.S. government over conflicting antidiscrimination regulations, the move had a dist Shultz flavor to it.

What does Shultz think of Presi Carter's economic performance? In interview with Forbes reporters in M hattan last month, he was blunt in reply to that question:

"I'm very tense when I see what are doing in Washington now."

Forbes: Let's talk about how the ter Administration is performing in light of the principles you set up in

ok, *Economic Policy Beyond the Head-*
s.* How is Carter handling energy?
hultz: Terribly. They are making the
situation they inherited worse. It's
ressing that the President's reaction
energy problems, old and new, is to
e with more controls. I think the an-
er is to cure with more freedom.
ORBES: But there's the question you
ed in your book about efficiency ver-
fairness. Decontrol, which you favor,
ght be efficient but would it be fair to
ich the oil industry at the expense of
d-pressed consumers?
hultz: We should grow up. The en-
ergy problem is so serious that if a
few people make money as a result
eing enterprising and helping solve it,
be it. Deregulating so our energy
es rise to world levels would mean
l retail prices would go up, although
by a tremendous amount. We would
e conservation brought on by the
ner prices. Besides, it is quite possible
lesign a windfall-profit tax.
ORBES: Consumers won't drive much
or lower their heating temperatures
much even with higher prices.
hultz: It is not realized that the prices
electricity for residential users over
last ten years have *not* increased in
terms, that is, adjusted for inflation.
they've increased for industrial users
ut 20% in real terms—so industry has
de tremendously successful conserva-
efforts. Residential consumers
en't done much. It's not hard to fig-
out why when you look at what's
pened to the relative prices.
ORBES: Is deregulation enough?
hultz: No. The President says he's for
lear power plants, and everything he
s undercuts the nuclear industry. He
uld stop appointing flaky people to be
inistrators of regulation. If we get
ple administering whose object it is
top anything from happening, that's
at you're going to get—nothing hap-
ing. If you get people whose attitude
'It's my job to see objectives of regula-
are carried out, but it is not my job
prevent anybody from doing any-
g," you'll get a different result.
ORBES: How about some specific ex-
les of flakiness?
hultz: We've just shut down five
nic power plants because of mistakes
ome calculations. But on television,
guy responsible says the plants are
. What kind of nonsense is that?
hen we have Sohio. It wanted to build
peline, knew where to build it, the
ineering was complete, the financing
was there. Sohio even agreed to build some scrubbing attachments to a Southern California Edison plant costing them around $80 million—which had nothing to do with their pipeline. Even so, take a look at what they went through.

FORBES: President Carter projects a deficit this fiscal year of $33.2 billion going up to a surplus of $39.2 billion in 1982. Are these numbers real?

Shultz: No. Their assumptions about the economy, prices and the momentum of current programs should be questioned. Some legislative proposals of the President's Congress has already brushed off, like changes in Social Security benefits. So projections based on these programs are not going to turn out to be right.

They should be running a budget that is close to balanced, if not in balance right now. After all, this inflation helps balance the budget because everybody pays more taxes as they go into higher brackets. You even pay more Social Security tax because the earnings base rises.

FORBES: If you were Secretary of the Treasury again, would you come close to balancing the budget this year?

Shultz: You'd have to take draconian measures on spending. Remember, President Carter campaigned on the basis that the economy was too soft and should be stimulated. He criticized President Ford for vetoing so many spending bills, but if Ford's struggle had been continued we might have a reasonable budget now. You make a change today and it doesn't make much immediate difference in federal budgetary terms, maybe $100 million or $500 million. Two years from now it could make a difference of $2 billion or $3 billion.

FORBES: Where would you start today?

Shultz: They've got to be tougher on the budget than they already are. Most important, the Federal Reserve has got to be very disciplined in its money-supply operation. Miller is doing that now. Interest rates are labeled high, but aren't in real terms. If you pay me 10% and inflation is going on at 10%, I haven't gotten any real return.

FORBES: Do we really *have* to have a recession?

Shultz: I don't think we really needed to have one, but I think the Administration has built one into this situation. They have changed the declining trend in the rate of inflation into an accelerated trend—from 5% or 6% to 9% or 10%.

FORBES: You blame Carter for this?

Shultz: The stimulation, the change in policies took place the moment President Carter entered office. He was the great stimulator. Remember, he sent his team over to lecture to the Germans and to the Japanese and tell them they should stimulate, too. His constant theme was that inflation was not a problem, there was plenty of capacity in the economy, don't worry about it.

Well, since his analysis of the economy was wrong, his policies were wrong. So we have this roaring inflation, produced with the full cooperation of the Federal Reserve. Arthur Burns was criticized by the Carter Administration as too tight-fisted all during the period he was expanding the money supply too fast. Meanwhile President Carter did other things, such as hiking Social Security and minimum wages, that added to inflation.

"The President should stop appointing flaky people to be administrators of regulation. If we get people whose object is to stop anything from happening, that's what you'll get—nothing happening. If you get people who say, 'It's my job to see the objectives of regulation are carried out but not to prevent anybody doing anything,' you'll get a different result."

FORBES: But *why* do we have to have a recession?

Shultz: Because people are saying, "My God, you're out of control." This inflation is politically unpopular at home and devastating to the world economy. The reaction coming from abroad shows in the declining dollar. Slamming the brakes on now will produce a result which we will probably call a recession.

FORBES: Are you predicting a rerun of 1974-75 when we had tight money and a recession, which brought down the inflation rate?

Shultz: Even that was only a rerun of earlier episodes. In the mid-Sixties the Kennedy Administration really had it going—low inflation and high employment. Along came Lyndon Johnson and his Great Society and his Vietnam War and a refusal to recognize the fiscal and monetary implications of his decisions and we blew it. So inflation rose to 6% by 1969. Toward the end of the Johnson Administration and carrying into the early Nixon Administration, disciplined fiscal and monetary policy was pursued. The result was, the rate of inflation declined to about 4% during 1971. But we didn't have the guts to stick with a steady-as-you-go strategy. So we blew it and we had a deeper recession.

Now we've got the problem all over again. Each time at a higher rate of inflation. The question will be, can we stick with the policy we know we've got to have long enough to get inflation under control? Or will we blow it again?

FORBES: You had experience with price controls yourself. What do you think of the wage and price guidelines administered by Kahn?

Shultz: I think it is a bad mistake. The

rge P. Shultz and Kenneth W. Dam, Econom-
olicy Beyond the Headlines *(New York: W.W.*
on & Co., Inc., 1977).

guidelines are producing more inflation because there is a growing conviction that they are bad and won't work. The government has put into place over the last two years a tremendous number of inflation-producing actions and we're getting the results. There isn't any way you can somehow beat on business and labor unions to mitigate the results. Like food prices are up, but aren't controlled. So they crack down on middle-size business or embarrass somebody. It's not going to do any good.

FORBES: You were chairman of the Cost of Living Council for part of the period when President Nixon administered wage and price controls.

Shultz: Our first freeze—I thought it was a mistake—was understandable in that labor and management and the public generally wanted controls. The President was taunted by his Democratic opponents who gave him a law with sweeping authority to do anything he wanted in the American economy.

The second time around, in the middle of 1973, when he put on a freeze, I resigned over that, though it did take me several months to actually leave.

FORBES: What do you see ahead for the dollar?

Shultz: The dollar will get terrifically strong as soon as people are convinced that we are coming to grips with inflation. The world financial observers thought the U.S. economy was unraveling and that's why the dollar was unraveling. This had devastating consequences for everybody else.

FORBES: Since Nov. 1 the dollar has been much firmer.

Shultz: Yes, and note this contrast: The world financial markets just laughed when President Carter said, "I'm serious about inflation so I'm going to impose guidelines." The dollar deteriorated further. People said, "My God, the man doesn't understand the problem." It was such an adverse reaction that it forced these moves on Nov. 1 that *did* strengthen the dollar. The key move was the Administration realizing that the Federal Reserve has got to be tougher.

"The wage and price guidelines are producing more inflation because of the growing conviction that they're bad and won't work. The government has taken a huge number of inflation-producing actions and we're getting the results. There's no way you can beat on business and labor unions to mitigate the results. It's not going to do any good."

FORBES: Do you favor the proposal to force the federal government to balance its budget?

Shultz: No. It's a movement born of this utter frustration—like Proposition 13. At the federal level I am in favor of the constitutional amendment to limit spending, to get ourselves on a long-term track in managing the federal budget.

FORBES: Do you feel, as a prominent Republican, that a proposed program of cutting taxes is enough to get your party back in office again? That kind of program doesn't have anything in it blacks, for the cities.

Shultz: Of course, it isn't enough offer. But taxes today are the most portant single thing in the econo sphere. As far as the problems of the are concerned, whatever their colo think more freedom in this cou would do more for them than any o single thing. Freedom from the tren dous taxes the poor pay, for examp the highest rates of anybody. If a pe on welfare goes out and earns some m ey, that money is taxed at a marginal of 100%. Freedom from the minim wage, from the effects of all this reg tory activity, which tends to shut d job opportunities.

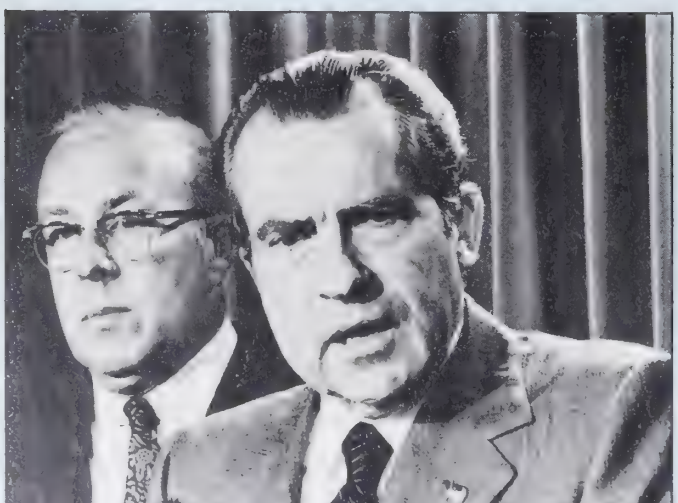
You could try freedom. As I wrot my book, you could try less red t Take the total flow of money that's posed to go to the poor. A tremend slice goes out to middle-class people are ministering to the poor.

FORBES: Which Republican candid do you think could win the 1980 pr dential election?

Shultz: The first question you hav ask about anybody who wants to run President is not, "Can he be electe but, "Can he handle the job?" I re think we must come to that in this co try. Now I believe the four leading publican contenders could handle the well: Reagan, Connally, Bush and Ba

FORBES: Why did you leave out for President Ford?

Shultz: Because so far as I can see leaves *himself* out. My impression is he keeps the idea alive to maintain in ence in Republican councils. ■



Shultz and President Nixon
"The President felt we were harassing him."

When the IRS audited Richard Nixon

FORBES asked George Shultz: Was your biggest moral cris when John Dean produced an enemies list and wanted th Internal Revenue Service to harass everyone on it?

Shultz: I didn't feel it was any big crisis in my life. I fe this was something we had no business doing so I just tol the IRS, "Do nothing." Of course the Watergate tape indicated that my decision was somewhat unpopular wit the President. He is quoted as saying something lik "Doesn't he know why we placed him over there?" But n one ever said anything more about this to me personally.

Actually I had more flak from the President about anothe IRS situation. The head of the IRS came to me and said th computer has kicked out the President's tax return fo audit. What should we do?

It was an easy question to answer: I said, "Go audit th President's tax return."

It touched off a chain of events that was not at all pleasan I got a call that the President felt we were harassing him. H wanted to know, had any other President had his tax retur audited? He wanted to know before seven o'clock nex morning. The answer was that *every* recent President had ha his tax return audited. Some have been assessed for bac taxes. That is because they were wealthy men and ha complicated returns, including President Nixon.

If your whole office depends on one copier, this is the one to depend on.

Introducing the $1895 desk-top by Pitney Bowes.
The most reliable copier in its class is the new Pitney Bowes 458 drytone copier. Designed for offices requiring a few dozen copies a day, this fast, dependable, inexpensive machine delivers crisp, snappy results—copy after copy.

The new 458 is engineered simply, for unbeatable reliability and economy. It omits costly, temperamental built-ins that lower-volume users don't need. Since you don't buy frills, you don't pay to keep them working. And you save from less down time—often the greatest economy of all.

Finally, the 458 copier is designed to make life easier for everybody who uses it. Convenient, flexible, simple to maintain and service.

For a free demonstration in your own office, just send us the completed coupon. It's a show you can't afford to miss.

To Pitney Bowes
1794 Crosby St., Stamford, Conn. 06904
Please contact me to arrange a free demonstration in my office of the new 458 Copier
Name_____
Title_____
Company_____
Street_____
City_____
State_____ Zip_____
Phone_____

Pitney Bowes

For full information, call toll free any time **800-243-5000** (in Connecticut **1-800-882-5577**)
Postage Meters. Mailing Systems. Copiers. Labeling and Price Marking Systems. GSA Contract No. GS 00S-45138

One of the third world's first needs is good communication.

Here's what we're doing about it.

Report from GTE

How can an emerging nation emerge, if it n't tell the world what it needs?

One obvious need is communications.

And GTE is in a unique position to help bring odern communications to these nations.

We supply electronic, microwave and satellite rth-station systems. We also own and operate ur own telephone companies and, with AT&T, erate a domestic satellite communications stem.

ntering the world by satellite.

Beginning with the early communications sat- ites of the mid-sixties, the nations of the world d available external communications of the ost modern type.

So modern, in fact, that they were more up-to- te than the total communications of many de- loped countries.

TE, the satellite company.

GTE has designed and built earth stations to rve satellite systems for fifteen years. We also erate these stations, and train local personnel to take over their operation, usually within a year.

We have provided 45 earth stations for telecommunications, for the Dominican Republic, Algeria, Chile, the Philippines and many other countries.

Communications in depth.

GTE is also a leading supplier of other telecommunications systems, from microwave radios that span jungles, mountains and other difficult terrain... to central telephone exchanges that are the equal of any in the world.

Reliable systems for both domestic and international telecommunications are available from GTE.

The right place at the right time.

This may help explain why we have been so successful in helping the emerging nations get modern communications.

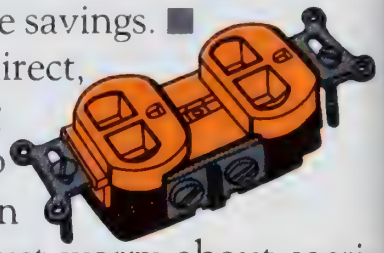
It's another demonstration of how we try to be in the right place at the right time for all our markets, from communications to electronics.

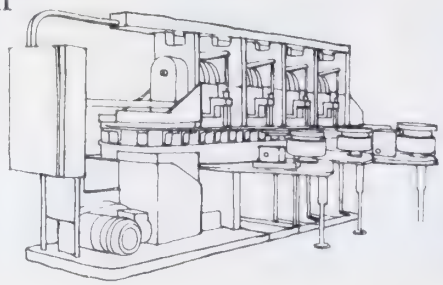
GTE

One Stamford Forum, Stamford, Connecticut 06904

The machine that pays for itself

When you're in the business of assembling parts, you're in the business of holding costs down while keeping quality up. Which is a tricky business these days. Manufacturers have found the answer to the problem. Bodine in-line assembly machines. ■ Bodine modular machines have produced millions of small assemblies such as those shown here, products made in high volume to rigid specifications and yet at considerable savings. ■ With today's skyrocketing labor costs, both direct and indirect, managers hardly have to be persuaded of the wage-saving advantages of automated assembly systems. But they also must look hard at the possibility of long delays in changing over to new equipment, and they must worry about sacrificing quality control in their products. ■ Conversion even from a completely manual operation can be made swiftly and with a minimum of de-bugging time. ■ As for quality control, the simplicity of the Bodine drive system eliminates much of the need for monitoring and adjustment. Most of the motions of the system are timed and driven by the main drive shaft, and these include self-inspection features that keep constant tabs on output. ■ All of this adds up to higher production rates, fewer returns, and the elimination of costly major retooling for product changes. Which means savings added to savings. A Bodine assembly machine pays for itself. And then it starts to pay for itself all over again. ■ Write or phone Frank J. Riley, Vice President, The Bodine Corporation, 317 Mountain Grove Street, Bridgeport, Conn. 06605, (203) 334-3107.





Bodine
ASSEMBLY SYSTEMS

buyer at a leading New York store says "inventory shrinkages"—a phemism for theft—amount to a staggering 10% of sales. What es the store do about it? The same as any other business: "We mark erything up accordingly," she says.

The game where nobody loses but everybody loses

By Richard Phalon

I E HAD PARKED at the far end of the truck stop and was checking the tires on the side of the trailer from the diner when they jumped There were three of them and he better than to fight back as they ed him into the car. It was four s later, a little after 3 a.m., when the e made a routine swing through a ng lot downtown, less than a dozen s away. The cops found him hand- d to the steering wheel of a stolen y. His eyes were still taped, but wise he was okay. The three hoods gone, the trailer was gone, and so ts $60,000 load of highly negotiable jeans.

e scene was Jersey City, N.J., but it l have been Miami, St. Louis, Hous- Los Angeles or Anywhere, U.S.A. A ening so frequent that hijacks like it nown in the trade as "give ups"— ne more statistic in the evolution of rty crime as one of the nation's st and fastest growing industries.

me an industry? Well, consider Projecting the Department of Com- e's 1975 and 1976 figures to 1978, es estimates that theft of various cost U.S. business $40 billion last If our figures are correct the cost een increasing at a compound rate % a year. Add to this a probable $4 n a year in personal property stolen individuals and you have a business compares in size with the U.S. steel try.

e theft industry employs tens of sands of people in its direct work many thousands more indirectly— ance adjusters, private guards, extra emen hired to deal with the public's dic concern over crime. Its depreda- are, on the one hand, a cost of business and, on the other, a s for lightly scrupled businessmen n an edge on their law-abiding com- ors. In a sense it is like the unneces-

sary surgery that is so prevalent today: a ripping off of one group for the benefit of another group, with the cost diffused throughout society as a whole via medical insurance.

That diffusion seems to be the major reason the American public has become so relaxed about the growing incidence of nonviolent crime. Through the insurance mechanism everybody contributes to a pool to compensate the victims. Thus, the victims get off lightly, the thief makes out well and the insurance company makes a sale. Insurance costs big money, though, and so does security. Most of the burden is simply passed on to the public in the form of higher prices—a businessman must recoup his costs, after all, or go out of business.

Thus, the growing theft industry is a major source of rising prices—what the economists call "inflation." (Yes, crime rates do impact prices, just as pollution control, taxes and politically powerful farmers do.) And if something is stolen, you might just as well kiss it good-bye. According to the FBI's Uniform Crime Reports, no more than one out of every five burglaries or thefts is "cleared" by arrests. Recoveries run to less than a third of all property reported stolen, and of those arrested, only 59% are convicted. "The odds against getting caught are very long, and the odds that a thief will do time are even longer still," says Eric A. Seiff of the State of New York Commission of Investigation (SCI). "It's a low-risk, high-profit business." And he might have added: largely untaxed.

The rising tide of crime has created a strange kind of symbiosis. Law enforcement agencies, for example, are developing a kind of vested interest in crime. The more horrendous the statistics become, the bigger their operating budgets. The security industry has a vested interest, too. Demand for everything from the simple rent-a-cop business on out to the most sophisticated electronic gear is booming to the point where the industry is now grossing about $2.3 billion a year.

The insurance companies are doing all right, too. Since 1973 premiums written on inland marine coverage, attached to goods moving in transit, have shot from roughly $950 million to better than $1.4 billion. The amount of money spent on home owners coverage (fire, burglary, theft and liability packages) has climbed from $3 billion to better than $5.2 billion in what is basically a cost-plus business. There have been a few rough patches. Commercial burglary and theft insurance, for example, has traditionally been one of the industry's steadily profitable lines. Some underwriting losses began to show in the mid-Sixties, but they helped to trigger a spate of rate increases and higher deductibles that pushed the line well back into the black.

Some of the quantum jump in property crime rates is related to the spread of drug addiction. Many of those arrested for theft or burglary have also been busted for narcotics offenses, but the junkies are being crowded out of a business where the really big scores are increasingly made by professionals.

"When I started out in this business as a young officer in 1946," says James O. Golden, director of the Criminal Conspiracies Division of the Law Enforcement Assistance Administration (LEAA), "a burglar was a burglar. You could usually identify him by his m.o. Now they've become more sophisticated."

Signs of that sophistication show in

the series of major thefts that have rocked the art world *(see box p. 58)*. It takes a certain amount of savvy to defeat a security system in the successful Topkapi-like raid made on San Francisco's M.H. deYoung Memorial Museum, for example, and even more savvy to figure out how four unmistakably hot 17th-century Dutch paintings can be worked into legitimate or quasi-legitimate distribution channels. There are increasing signs of sophistication, too, in the ways whole consignments of goods are being stolen to order.

"It's seasonal, just like legitimate business," says one FBI man. "Two months before Christmas, you know they're going to start hitting things like kids' walkie-talkies and other kinds of toys, clothing and liquor." In the spring it's air conditioners and lawn mowers, and year-round high-value, easy-to-dispose-of items such as stereo and color TV sets, furs, meat and foodstuffs.

The LEAA estimates that organized crime—known as "LCN" or La Cosa Nostra in the trade—figures in about 25% of all theft. Individuals identified as "soldiers" in crime families keep cropping up in stolen stocks, bonds and currency cases, for example, that require a certain amount of expertise to engineer.

Equally, of course, a lot of the crime that never gets into the statistics is amateur stuff that seems penny ante, but probably totals in the billions. Shoplifting, for example. Schools are forever getting ripped off. Tape recorders, computers, typewriters, musical instruments, photographic equipment and clothing are all fair game.

Hospitals get hit pretty hard, too. Interns about to depart for private practices steal stethoscopes and other equipment. Nurses and other staffers take home towels and sheets. Bank clerks in hock to bookies or the finance companies simply walk off with cash. A vault teller, for example, slipped $168,000 in a brown paper bag past a security guard with the explanation that he was taking his pet rabbit to the vet.

The Department of Commerce insists that the rip-off of business by employees has reached "epidemic" proportions. "Businessmen mistakenly assume that most inventory losses are caused by shoplifters when actually employees account for the major portion of inventory shrinkages," this government agency maintains.

Inventory shrinkage is a polite term for losses that may run, again by Commerce Department estimate, to more than $6 billion a year. A lot of that $6 billion is stolen strictly for home consumption—impulse purchases, as it were. Some of the swag gets redistributed through street peddlers *(see box, p. 61)*, however, and some of it is small-scale opportunism at work, like the

Conrail's piggyback yard, largest in the world, in South Kearny, N.J.

"Where there's honey," shrugs one official, "you've got to expect flies."

You want it, I'll get it for you

"Epidemic" is one of the mildest terms investigators are using these days to describe the rash of thefts that are plaguing the art world. A series of lightning-like attacks on four major museums seem to be an escalation of a virus that up to now has afflicted mainly private collections and galleries.

The museum victims: the Metropolitan Museum of Art in New York; the Art Institute of Chicago; and in California, the Santa Barbara Museum of Art and the M.H. deYoung Memorial Museum. There have been recoveries in the Santa Barbara and Metropolitan thefts, and the latter seems to have been more of a prank than a snatch-for-gain. The three Cézannes missing from the Art Institute and the Rembrandt and three other paintings missing from the deYoung are valued in excess of $4 million.

"Madame Cézanne in a Yellow Armchair," by Cézanne

Art objects everywhere have become targets. News of the four museum thefts was still fresh when New York City police disclosed that four prestigious Madison Avenue galleries had all been relieved on the same day of valuable items. Producer Otto Preminger and Lehman Brothers partner Paul E. Manheim are among the well-known private collectors who have been hit, probably with inside help of one kind or another. In Houston, a Tintoretto that is valued at between $150,000 and $200,000 is stolen from an exclusive private school and returns as part of a plea bargain.

As with most other kinds of thefts, law enforcement officials know they are being told about only a fraction of what vanishes. Some dealers, worried about publicity, swallow their losses in silence. So do many museums, particularly if a piece is uninsured. Curators don't like to admit that they can't protect what is, in effect, a public trust. If a piece is in storage—as were the Cézannes, for example—it is often a case of out of sight, out of mind.

Perhaps 50% of art reported stolen is recovered, according to one expert. But Robert Volpe, the New York City police art crime specialist, says the rate is much lower. The report-no-evil syndrome means there is a considerable amount of unrecovered art not reflected in the statistics.

The gap between reality and reporting makes it impossible to state the size of today's stolen art market. Bonnie Burnham, executive director of the International Foundation for Art Research, puts the figure at around $25 million annually—maybe as much as 35% more than 1976.

It's another example of outlaw man operating as economic man. A lot of growth comes from publicity about the demand—and prices—for quality art. Thieves, and the fences they work for, read newspapers, too. "There's a general awareness that art is growing in value," says Burnham.

Many law enforcement officials feel, in fact, that some thefts are fingered by those few unscrupulous appraisers, auctioneers and dealers who know the market very well and who are not above fattening their profit margins with a bit of fencing.

It's also clear that some dealers find it easy to shut down their sensibilities when a piece of hot merchandise comes along.

Who's on the buy side of such deals? In the case of easily identifiable items like the Art Institute's Cézannes, the ideal buyer might be a less than scrupulous individual of some means and taste who doesn't mind possessing his treasures in private. **—R.P.**

television sets that get hawked ac
the bar at your friendly corner sal
Much inventory shrinkage, howeve
orchestrated by highly skilled ha
"What we're seeing," says Eric Seiff
not so much organized crime as cr
that is organized."

The focus is on goods in trans
cargo stored at major redistr
tion centers like John F. Kenn
International Airport in New York
and the sprawling Conrail freight y
across the Hudson in South Kearny,
More high-value air freight funnels
JFK than into any other airport in
world. The 2-mile-long Conrail inst
tion, the biggest piggyback operatio
the world, logs in an average of n
than 300 loaded trailers or containe
day. There have been serious effort
beef up security at both places, but m
law officials say JFK and the Ke
yards are still vulnerable to the he
pressures that surround any major fre
center. "Where there's honey, you've
to expect flies," shrugs one official.

Some of the flies are employees wh
in a position to know what's movin
and out of a terminal, and who are pai
finger anything that looks good. As ne
as anyone can tell from the reports
have surfaced so far, insiders were cru
to the $5.9 million currency and jew
heist at Lufthansa's JFK terminal
investigators are still trying to cr
Some of Conrail's heavy pilferage p
lems appear as well to have internal ro
law enforcement officials say.

The finger man is a small but im
tant cog in what Eric Seiff calls a "
stantial and efficient market for the
tribution of stolen property." The
ward signs of how efficient the mark
show clearly in the FBI's uniform cr
statistics—high theft rates, low ar
rates, low recovery rates. The real ke
the market, though, is the fence. It's
job to turn stolen goods into cash
funneling them back into the legitim
trade channels—sometimes direc
sometimes by acting as a middleman
seemingly legitimate businessmen.

Take the classic hijack, or "give up.
truckload of color TV sets moves out
secure yard like Conrail Kearny on
way to a regional distribution w
house. The word filters out to a brol
type fence who arranges for the drive
take a long coffee break at a partic
truck stop. During the break someb
else—who might have been paid $5
appears, drives the load to another l
tion and disappears. Not long afterwa
couple of satellite drivers pull up in sm
er trucks, strip the trailer clean and
on their way to appliance dealers a c
ple of hundred miles away—usually
fore the hijacked trailer has been loca
and often even before the theft has b
reported.

The dealers who patronize the fen

INDULGE YOURSELF. IN A NEW MONTE CARLO.

Imagine yourself, for a moment, in a new Monte Carlo.

The available removable glass roof panels are off, unlocking the sun.

Behind the wheel, you feel a sense of intimacy with your surroundings, in an interior engineered for space, comfort and quietness. You sit amidst elegant upholsterings and abundant luxury.

As you drive, a road-tuned suspension winnows out harshness. Bumps are smoothed by coil springs computer-selected for your car. Front and rear stabilizer bars and steel-belted radial ply tires transmit a precise, gratifyingly firm feel of the road as miles pass smoothly and quietly under you.

Now turn imagination into reality.

Test drive the new Monte Carlo. Reward yourself with the experience of a personal luxury car designed to look, drive and feel apart from the ordinary.

Think of yourself.

And put a little distance between yourself and the crowd.

Chevrolet

MONTE CARLO

Now that we've launched our new Great Lakes ore carrier, you might think it's full speed ahead.

Not yet. New facilities like this multi-million-dollar ore carrier (it's our second and a third is under construction) help make Bethlehem more efficient and more profitable. So, naturally, we'd like to go full speed ahead on other new technology, where and when it's needed.

In recent years, the steel industry has found it difficult to generate sufficient funds to invest in all the newer and more productive facilities desired. Steel imports dumped into our country, soaring costs, and heavy environmental demands have all taken their toll on profits.

Solutions to these and other problems will help us generate additional funds for capital investment...help us adopt new technology wherever practical to cut our costs and improve our profitability. Bethlehem will continue to seek those solutions.

Bethlehem

Bethlehem, PA 18016

v—or should know—that they're
ling hot merchandise because the
has been sold to them at maybe a
of wholesale. They are usually insu-
from the police by a Chinese Wall
voices and other phony paperwork.
e the new shipment gets mixed with
imate inventory, it is almost invisi-
o the prosecutorial eye. In the same
there are "cut outs" at every step of
rime. Nobody knows anybody else.
e is no "smoking gun" to be found,
vert act. As for the merchandise, one
TV set or one Betamax is hard to
nguish from another.

e fences operate in the shadows.
are managers and marketers whose
s to store, transport and sell goods
ht from their "suppliers" at any-
e from 10% to 30% of retail. Some
enforcement officials think of the
as a kind of "invisible hand" that
ts thievery against one type of mer-
dise or another by putting a premi-
n particular kinds of goods.

Most fences, law enforcement officials say, are becoming specialists—a trend that explains why and more theft seems to be perpe-
d on command. The growing so-
ication of the underworld is just one
reflection of the fact that outlaw
is economic man, too. Thus, many
s concentrate on high-value
s—jewelry and coin collections, for
ple, or CB radios and stereo sets.
pically, branded goods fetch better
s than unbranded goods. That may
s criminologist Marilyn E. Walsh
, because specialization tends to be
cteristic of the legitimate business-
"who handles either only those sto-
ems that he is familiar with in his
enterprise, or only fast-moving
s, such as entertainment equipment
irearms."

e stress is on fast turnover. The
helps to shield his suppliers from
aw by providing them with a drop
e merchandise can be quickly dis-
l of. By taking the goods off his
iers' hands, he reduces their expo-
The fence's ability to store things
move them into the pipeline is a
of risk insurance that is factored
the price he pays, along with other
eward considerations, such as the
e value of the merchandise, the time
ed to resell it and how traceable it is.
ng, says one LEAA study, "requires
of the same distribution capabili-
ncountered in legitimate business."
ny fences, in fact, are legitimate
essmen or at least try to cultivate
ppearance of legitimacy. They oper-
om behind many fronts. "Business-
equently reported as active in fenc-
the LEAA says, "include restau-
and bars, moving and transfer
panies, antique dealerships, new and
auto dealerships, furniture and ap-

"Getcher Criss-yun Die-or!"

In the shadow of great emporia, "Hey, getcher Criss-yun Die-or!"

Belts, cashmere scarves, wool caps, socks, prints, designer tops, pots and pans, stuffed animals, calculators, earrings, hair dryers, briefcases—name it and the street peddlers have it. And they have it much to the chagrin of their competitors—establishment retailers who can't afford to button up their inventory in a cardboard box and run at the first sign of trouble.

In some places—New York City, for one—the competition is so hot in the shadow of emporia like Macy's, Gimbels, Korvettes and Alexander's that the big-name retailers have called for a crackdown. It's almost as though they'd forgotten (or remember only too well) the dynamism of their own pushcart origins.

Rain or shine or threat or summons, the peddlers are out there, clinging to their urban turf like limpets to a rock. When it rains, they hustle umbrellas and plastic raincoats. When the lunch hour is sunny and every office typing pool is on the browse, peddlers really swing: "Hey, getcher Saint Law-rent! Hey, getcher Criss-yun Die-or!" Another chunk of the subterranean economy in full cry.

The establishment complains of the flea market atmosphere peddlers carry in their wake along with litter and some of the most blatant sales hype this side of the Casbah. Some of the hype suggests that the alleged 14-karat gold chains and the Bolivia Electro watches at $15 a crack have, in the vernacular, "fallen off the back of the truck." The peddlers don't like to answer questions. "What are you, a cop?" asked a black teenager who had set up his *al fresco* shop under the scaffolding of the renascent Hotel Commodore at Lexington Avenue and 42nd Street.

Law enforcement officials think that some of the stuff that moves on the streets is indeed hot, but not much of it. "There's a little swag out there," says one FBI agent, "but most of those people buy directly from regular trade channels that specialize in peddler goods. The 'off-the-back-of-the-truck' hype is supposed to make the stock look cheap."

Is the hype really hurting establishment retailers? It may be just a flea bite, but no one can say how much it stings. If the 25,000 or so peddlers estimated to be working the New York City streets, for example, grossed as much as $100 a day (a conservative estimate is probably half that), the $250,000 doesn't look too big against total retail sales of over $100 million a day. Most of the peddlers are ethnics. Some of them, if the cities' acculturation mechanisms are still working, may one day wind up becoming tax-paying establishment retailers themselves. **—R.P.**

pliance stores, jewelry stores, coin and gun shops and realty companies."

Theft is so pervasive that it's hard to say, anymore, where the line gets drawn between the good guys and the bad guys. Many fences operating under legitimate cover, says the LEAA, often try to curry favor with cops, prosecutors and judges by selling to them at deep discount. Some fences operate with a virtual grant of immunity from the police as a tradeoff for information on who is stealing what—information that helps improve the clearance record of burglary squads, whose "productivity" is often judged on the number of arrests they make. Law enforcement officials like Eric Seiff argue that crime wouldn't be such a big growth business if legitimate business didn't have a big stake in it. "Stolen goods on the shelves," he says, "mean bigger profit margins."

One insight into how willing seemingly legitimate businessmen are to nibble at stolen goods emerges from an experiment the SCI ran recently with the help of a pair of "informants"—one posing as a fence, the other as thief-fence. The focus was the wholesale health- and beauty-aids market (everything from cosmetics to cold tablets) in New York City.

The sell operation started with the informants' offering 17 wholesalers a good buy on supposedly stolen quantities of Clairol Nice 'n Easy hair coloring, Revlon's Charlie cologne, and Burlington Mills' panty hose.

The scenario called for the informants to announce right up front that they were peddling hot merchandise. The tapes show that they did so. Here's the way a telephone call with one prospective buyer went.

Informant: Hello, Eddie, this is. . . .

Eddie: From who?

Informant: Uh, from Nice 'n Easy. D'ya remember?

Eddie: Yeah, where the helluvya been?

Informant: Uh, been trying to make another contact.

Eddie: Yeah, you get it?

Informant: I've been able to get a driver who has a guy on a platform who's stealing it, so I've got five pieces for ya.

Eddie: Five cases?

Informant: Yeah.

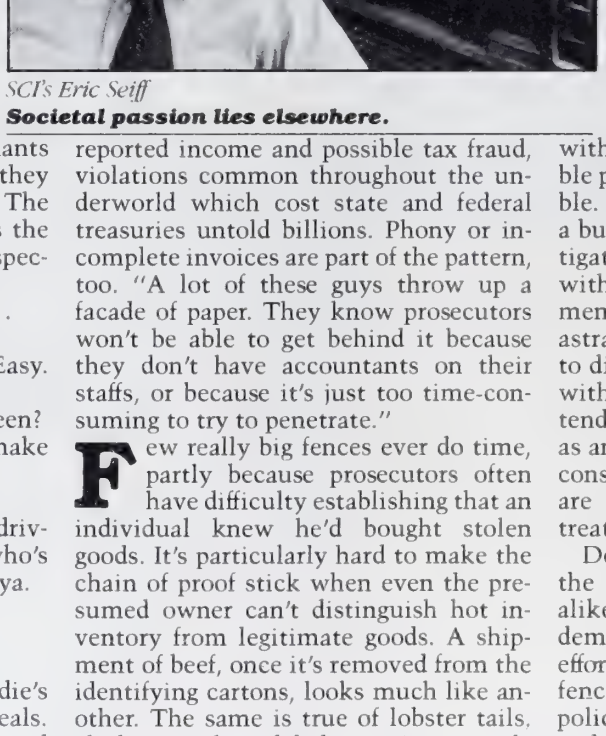
Eddie: An' what numbers?

Over a period of five months, Eddie's firm and 16 others were offered deals. Nine of them actually made buys and two others indicated a willingness to buy up to a trailerload of the stuff. Nobody turned an offer down on the grounds that the goods were stolen. The propositions that fell through did so either because the wholesaler was already overstocked with the product or couldn't find a buyer for it.

Entrapment? The SCI started with a working hypothesis that "seemingly legitimate businessmen play a crucial role in the redistribution of stolen property." And certainly the price was right: $35 to $45 a case on Nice 'n Easy, for example, or about 15% to 35% below wholesale. Some of the buys were for cash, no invoice required; others were paid for by check, invoice required.

When SCI accountants descended upon the informants' unwitting clients, they found some rather eclectic record-keeping habits. Nice 'n Easy. In some instances there was no record at all of a cash outlay or a purchase. In others the paperwork was rudimentary—invoices with torn billheads that reflected quantities and prices but no product names, no seller's identity.

In the accountants' view, the off-the-books transactions carried a whiff of unreported income and possible tax fraud, violations common throughout the underworld which cost state and federal treasuries untold billions. Phony or incomplete invoices are part of the pattern, too. "A lot of these guys throw up a facade of paper. They know prosecutors won't be able to get behind it because they don't have accountants on their staffs, or because it's just too time-consuming to try to penetrate."



SCI's Eric Seiff

Societal passion lies elsewhere.

Few really big fences ever do time, partly because prosecutors often have difficulty establishing that an individual knew he'd bought stolen goods. It's particularly hard to make the chain of proof stick when even the presumed owner can't distinguish hot inventory from legitimate goods. A shipment of beef, once it's removed from the identifying cartons, looks much like another. The same is true of lobster tails, clothing without labels, precious metals that have been melted down, jewelry that has been cut up or stripped of its setting, or any of the hundreds of high-value items that pop up on the hit lists. Even TV sets that carry serial numbers are hard to identify, law enforcement officials complain. The numbers are there not for inventory control but to help dealers keep track of repairs d under warranty.

The trade knows exactly how hard to prove knowledge of stolen goods. Seiff likes to talk of the sales manage a women's sportswear wholesaler pushed the "Who, me?" defense to ab dity. The cops picked up the manage Manhattan after he'd bought 200 r coats from a friend. The transfer be after the manager's son rented a tr and parked it by a diner. While the lingered over his coffee, two individ got into the empty truck and drove When they came back some time lat *voilà*, the vehicle was loaded with promised rain gear.

The sales manager, says Seiff, st fastly denied suspecting the coats w stolen even though he conceded: a) his friend was in the business of sel cigars rather than waterproofs that the manufacturer's label been removed from the coats that payment had been made cash at the diner; d) that a time method of delivery had not b agreed upon when the deal was gotiated; and e) that the rainc changed hands at a place unc nected with either man's plac business. Unusual billing and de ery methods like this are typic explained away by a seller's nee keep the source of his merchan hidden and prevent competit for suppliers.

Proof of guilty knowledge i difficult to establish that leg mate-seeming businesses cau with the goods typically have little t ble plea-bargaining their way out of t ble. One of the wholesalers tripped u a buy operation run by Eric Seiff's in tigators, for instance, had been char with fencing—in another case—a sh ment of pharmaceuticals that w astray. He was permitted to plead gu to disorderly conduct instead and got with a $150 fine. Many judges, in f tend to look upon receiving stolen go as an offshoot of white-collar crime. consequence is that fences, when t are caught, generally get much ea treatment than the thieves they servi

Deterrents that don't deter are on the reasons fences and their suppli alike are flourishing. The LEAA demonstrated, though, that concentra effort can put many thieves (and so fences) behind bars. Five years ago l police, with the help of LEAA mo and equipment, began running a serie more than 60 undercover "sting" op ations in 39 cities. The concept, presu ably named after the popular motion p ture with an eye to maximum public exposure, is simple enough: It take thief to catch a thief.

Freighted with concealed videot and sound equipment, the cops set

fencing operations and spread the that they were willing to pay top for good merchandise. In New City, for example, the "UCC Co." ot humor for undercover cop) and similar ventures pulled in a total of nillion worth of stolen property in ears' time.

lot of the swag recovered was the usual: cameras, jewelry, guns and stolen government checks ht at 10 cents on the dollar). But a e of new automobiles turned up ht for $250 apiece), as did a couple deric Remington bronzes valued at l of $100,000. The Buffalo, N.Y. , in another sting operation, picked Rembrandt valued at $250,000 that een stolen six years earlier from the t Museum in Bayonne, France.

g operations around the U.S. have resulted in 4,600 arrests and— s to the hard evidence of video- -an extraordinarily high conviction f 90%. The effect may only be short but LEAA contends that property has dropped visibly in at least one- of the sting cities.

sting gambit is a response to the voiced complaint that traditional methods don't contain crime. The have management problems of own. Their primary mission is to vith the muggings, assaults, rapes, ers and other street crimes that up only 6% of all reported crime. job absorbs most of the manpower, g a corporal's guard to cope with roperty crimes that make up the preponderance of reported crime.

rationale behind that deployment ically political. "The emphasis is hting violent crime because that's the societal passion is," says Eric "Theft is underpursued because the ncy is to fight the fire that's right front hall."

at's the answer? Law enforcement ls say that business could help and itself, with product markings erial numbers—to make it easier to that goods have been stolen.

the real problem goes deeper than numbers, down to the very nature odern society. We live in an era the civil rights of individuals are respected and violent punishment otect society is in disrepute. At the time we live in a society so afflu- so prolific, that theft tends to get ged off. You might cut off a thief's in an older, poorer society for steal- e tools with which a man earns his or the bread that feeds a family. TV set or trailerload of raincoats? nonviolent theft is tolerated and the s accepted as just one more element e steady and little-understood up- trend in prices called inflation. As Kelly's Pogo said: "We have met nemy and he is us." ■

Of the 5 Great Liqueurs in the world only one is made in America.

Wild Turkey Liqueur.

Scotland has Drambuie. Ireland has Irish Mist. France has Cointreau and B&B.

Now America can boast its own great native liqueur: Wild Turkey Liqueur created in Kentucky by the originators of America's finest native whiskey, Wild Turkey.

Wild Turkey Liqueur is the "sippin' sweet cream" of liqueurs. It's made to be savored slowly after dinner. Or as a mellow accompaniment to an evening's conversation. You've tasted the great liqueurs of Europe. Now taste America's great one— Wild Turkey Liqueur.

NOTICE: SUPPLY WILL BE LIMITED. IF NOT IN YOUR STORE, PLEASE CONTACT AUSTIN, NICHOLS & CO., LAWRENCEBURG, KY. 80 PROOF © 1977

"Any computer company that helps major banks stay on the move and independent retailers stay competitive is more than a computer company."

Robert W. Kleinert, President
The Service Bureau Company

Just standing here watching the activity at Girard Bank's rooftop heliport in Philadelphia, I sense the commitment to American business that has made Girard one of the nation's major financial institutions.

Girard Bank's commitment is supported, in part, through its use of time-sharing and data services provided by The Service Bureau Company (SBC)—an important part of Control Data Corporation.

Take for instance, cash management—a vital function in today's business environment. Girard is using SBC's time-sharing services to enhance sophisticated cash management models Girard builds for customer studies and consulting.

Working with SBC, Girard has also increased the marketability of its financial analysis system. SBC put the system on its time-sharing network and is making it available to other users throughout the country for credit evaluation and other financial functions.

Another example: Girard Bank, because of its association with SBC, is able to make available to its commercial customers SBC's wide range of computing services—everything from payroll, accounts receivable, accounts payable and general ledger to labor distribution and personnel reporting.

"Control Data not only helps banks widen their business horizon, we're also helping independent businesses thrive in an ever more competitive environment.

"EFT Data Services, another part of Control Data, working through local banks offers credit authorization and check verification services to independent retailers anywhere. Now, even L. L. Bean Inc., the well-known mail order and retail firm selling outdoor sporting specialties, can instantly verify credit card and personal check purchases in both mail order and their retail store in Freeport, Maine—just like major chains.

"Data services for banks, credit checking services for independent retailers...for more information, write to Control Data, HQN11I, P.O. Box 0, Minneapolis, MN 55440. Control Data, a company meeting these and other important needs, worldwide."

CONTROL DATA CORPORATION

More than a computer company

Loeb Rhoades, Hornblower's Tokyo branch is making a name for itself by flouting the customs that govern brokerage houses in Japan.

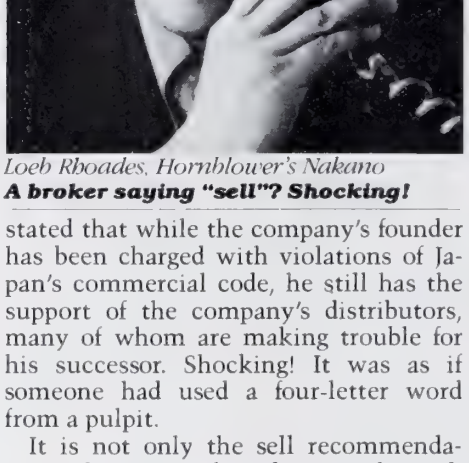
Daring to be different

By Norman Pearlstine

THE JAPANESE like to say, "The stake that stands up gets hammered down." True to such passion for conformity, Japan's major brokerage houses, companies like Nomura, Nikko, Daiwa and Yamaichi, routinely turn out research that reads as if it all came from the same printing press. The same companies get touted over and over. The market is always about to go up or, at worst, hold even. A *sell* recommendation? Never. Shift into cash? Much too jarring and impolite.

That penchant for not rocking the boat has helped create a nice little niche for one American-owned interloper, the Tokyo branch of Loeb Rhoades, Hornblower & Co. Its research department, headed by Hisamichi (Hank) Sawa, a 34-year-old Japanese who got his M.B.A. from New York University, is making a name for itself by regularly writing hard-nosed reports on the Japanese market and, when it thinks the facts warrant it, by telling its customers to unload a stock. In the last couple of years it upset many members of Japan's tightly knit financial community by recommending that clients dispose of such well-known stocks as Sony, Olympus Optical and Marui Co., a large retail chain. In all three cases Sawa's sell reports proved accurate. He first suggested selling Sony in July 1977 when the stock was trading for 2,410 yen. By last October it had fallen to 1,350. In April 1978 he said: Dump Olympus. It was then selling at 706 yen; six months later it was down to 621. As for Marui, it was trading at 990 yen last May when he urged its sale. Early last month, it was down to 840.

More recently, Loeb Rhoades issued a detailed sell report on Yamazaki Baking Co. that chronicled the lingering management problems created by a feud between the company's current president and his brother, who founded the company and was its chief executive until he was ousted a few years ago. The report



Loeb Rhoades, Hornblower's Nakano
A broker saying "sell"? Shocking!

stated that while the company's founder has been charged with violations of Japan's commercial code, he still has the support of the company's distributors, many of whom are making trouble for his successor. Shocking! It was as if someone had used a four-letter word from a pulpit.

It is not only the sell recommendations, however, that distinguish Loeb Rhoades from its competition. Its buy list is also well regarded, as is its analysis of Japanese market trends. It is also, according to Finance Ministry sources, one of the more profitable foreign brokerage operations in Tokyo. (Merrill Lynch, which has the oldest and largest foreign branch in Japan, is said to make more money, but it has many times more salesmen than Loeb Rhoades.) Interestingly, Loeb Rhoades is one of the few foreign firms whose operations in Japan are completely staffed by Japanese.

The driving force behind the Loeb Rhoades Tokyo branch is Shigeru (Shig) Nakano, its aggressive, 41-year-old director and general manager. Nakano began his career as a salesman and researc Yamaichi Securities Co. but left i seven years to join The Coca-Col (Japan) in 1968 as a financial an While there, he learned iconoc American ways and met Hank who had joined Coke just after retu to Japan from New York Universit

The two men later moved to th kyo office of Baker Weeks & Co., Nakano sold U.S. securities to Jap institutions and Sawa was a fin analyst. Sawa joined Loeb Rhoad chief of research in 1976, and in 1977 Nakano joined him there.

When Nakano arrived at Rhoades, the branch, which had o in August 1974 (it had operated representative office for 17 month fore that), was in bad shape. It had run by a foreigner who knew a lot the investment banking busines very little about selling securities i highly competitive Japanese mark a result the office was consistently red. Within nine months Nakano turning a profit and has kept it i black ever since.

Nakano says he was able to tur Loeb Rhoades office around after ing that to succeed it had to operat Japanese firm. He scrapped the company's commission system for men and started paying fixed salari way Japanese brokerage houses do bonus system was also restructur that it is now based largely on the o overall production rather than sole individual performance, a Japanese-collectivist approach. Finally, he h sembled a tightly knit staff in v many persons, including secretaries tinely work 12 or more hours a da sometimes six days a week.

About one-third of the Tokyo bra revenues comes from selling U.S. s ties to Japanese institutional and in ual investors. The rest comes from ing Japanese stocks and research them to overseas and domestic inv and from underwriting foreign ye nominated issues and domestic e issues. The dollar's decline over the year has made it hard to sell U.S. s in Japan. But Nakano says he and other salesmen have succeeded in s bonds and longer-term growth stoc Japanese institutions seeking a mo ternational portfolio; rumors about Tokyo earthquake pushed some Jap insurance companies into the U.S. ket last year to cover their bets. recently, Loeb Rhoades has been s oil stocks like Atlantic Richfield Standard Oil of Ohio, as well as e related issues like Schlumberger an ker Drilling, to Japanese institution

PRESENTING JAGUAR FOR 1979.

THE LATEST AND THE BEST IN A LONG AND ARISTOCRATIC LINE.

979 Jaguars are the finest expression to of our uncommon and uncompromis- pproach to building great luxury cars. e luxury is deep and so well thought-out he Jaguars come to you complete: there o factory options whatever. Real leath- its, thermostatically-controlled heating ooling, stereo AM/FM radio and tape m: it's all there, adding to the notable inherent in all Jaguar cars.

t, as ever, the finest expression of any ır motorcar is the way it moves.

e 1979 Jaguars have the incredible re- se of electronic fuel injection teamed either the double overhead-cam Six in the XJ6 sedan, or the aluminum V-12 in the XJ12 sedan and the S-type. And Jaguars have the surefootedness of four-wheel independent suspension and power disc brakes on all four wheels. They have power-assisted rack and pinion steering and an overall feel for the road that is rare, indeed, in luxury cars.

Another uncommon feature of the 1979 Jaguar is its warranty: for 12 months, regardless of mileage, your Jaguar dealer will replace or repair any part of the car that is defective or that simply wears out, provided only that the car is properly maintained. The only exceptions are the tires, which are warranted by the tire manufacturer, and the spark plugs and filters, which are routine replacement items. Even then, if the plugs or filters are defective, Jaguar will replace them.

There has never been a better time for you to own a Jaguar, for the simple reason that there has never been a better Jaguar than our 1979 edition.

For the name of the Jaguar dealer nearest you, call these numbers toll-free: (800) 447-4700, or, in Illinois, (800) 322-4400.

JAGUAR

Jaguar Rover Triumph Inc. Leonia, NJ 07605

Although selling institutional investors in Japan and the U.S. isn't all that different, Nakano says he uses a very different strategy when selling to Japanese individual investors. "In Japan, no individual wants to hold a stock more than six months," he says. "Short term means one to three days." So Nakano pushes what he calls "special situations"—low-price, speculative issues or companies that might rise on the fact or the rumor of takeover action.

While Nakano spends most of his time selling U.S. securities to the Japanese, Sawa and his research staff are busy providing foreigners with information about the Japanese market and Japanese securities. The Nikkei Dow average hit a record high of 6212.61 Jan. 31, but since then it has fallen to about 6000. The fall in recent weeks primarily reflects uncertainty about international events that might affect Japan, such as the curtailment of oil supplies from Iran.

Sawa says the market is likely to stay at its present level for the next couple of months. After that, he says, its behavior will depend more on Japan's inflation rate than on any external events. *If* it looks as though Japan will have double-digit inflation this year, he says the market could fall to about 5600. He says, however, it is more likely that inflation will be brought under control later in the year and that the market could rise to at least 6500 by year-end. In other words, he is predicting that it will, in either case, sell in a relatively narrow range.

Sawa recommends that non-Japanese playing the Tokyo market increase their cash position over the next few months and that they restrict their investments to a balanced portfolio of between 35 and 40 stocks, including about a half-dozen, such as Kirin Brewery and Mitsubishi Plastic, for short-term trading. Lately, he has been urging investors to invest less heavily in consumer-oriented issues, since he expects consumer spending to be sluggish over the next four or five months, and to increase their investment in issues that are likely to benefit from increased capital spending. In mid-March he dropped Kashiyama & Co., a manufacturer of ready-made suits, from his recommended portfolio and added Amada Co., a machine-tool maker, and Fujitsu Fanac, a maker of numerical control machines.

To play the Tokyo market, increase your cash position, invest less heavily in consumer issues and look more closely at stocks likely to benefit from increased capital spending.

The Loeb Rhoades analyst also suggests that investors should pay les tention to issues influenced by p works spending, since the schedule crease in government spending on p works is less for 1979 than it wa 1978, and less attention to issues a ed by interest rates since he thinks i est rates appear to have bottomed o

Sawa says he also favors some "ex related issues that are benefiting the yen's recent softening in relati the dollar." Among his favorites is on Inc., the maker of cameras and ing machines. Although Canon's has risen recently, he says its multip a consolidated basis of 11 is still enough to justify further investmen

Other favorites include Hitachi ell, a partly owned Hitachi subsi that makes a broad line of mag tapes and related products, and Uny Japan's sixth largest supermarket ch

Perhaps the most interesting about this Loeb Rhoades operation i the advice it dispenses but its impre success in the Japanese marketp Note the subtle blending of Japanes American psychology. The product has an American look to it: blunt, est, not particularly tactful. The or zation itself is quite Japanese—in pensation, in motivation, in perso Can such a blend of techniques co the secret to opening up the Japa market to other American firms? ■

Behind every great Western temporary is a dedicated Western manager.

When you have vacation workload problems, let Western's professional managers be your personnel support team.

Many of our managers have been on your side of management so they have a particular understanding of vacation help needs. All have extensive experience recruiting and assigning many types of personnel: secretaries, file clerks, product demonstrators, assemblers... you name it! They test and interview carefully, so you know you'll get the right people.

Contact us in advance to schedule vacation replacements. We're in the white pages. Call today and ask for the helpful free brochure "Order Exactly the Temporary You Need."

Western
TEMPORARY SERVICES, INC.

Corporate Headquarters
101 Howard St . San Francisco, Ca 94105

© Eastman Kodak Company, 1978

"Call the chief, Tommy! I think I've found our copying bottleneck!"

The meeting's about to start... and the copies aren't ready yet. We've got a fast cure: A Kodak copier that turns out 4200 fine-looking copies an hour—that's 70 a minute! Already collated, if you like. And stapled, too, automatically, at the push of a button.

People are telling us it's the best quality in the business. A few of these machines in your offices can end a lot of bottlenecks. And the service is Kodak quality also. We'd like to demonstrate.

Write: A. Angert, Eastman Kodak Company, CD9338, Rochester, NY 14650.

Kodak copiers can unplug your bottlenecks.

Kodak Ektaprint 150 copier-duplicator

The magazine industry defied the experts by booming and made Consolidated Papers one of the most profitable companies in the U.S.

Supercompany

By Sharon Reier

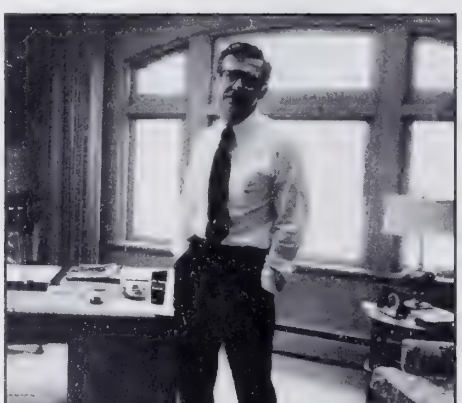
"We thought the magazine business was a dead duck," says George W. Mead II. So did a lot of other people. Except for smaller, specialty magazines, the printed word couldn't compete with color television for audiences and for advertisers. Everybody knew that. Everybody, that is, except for the audience and the advertisers. The magazine industry made a staggering comeback. The number of magazines of all kinds published in the U.S. exceeds 13,000, more than ever before. Last year 102 general consumer magazines accounting for 90% of advertising revenues sold over 115,000 pages of advertising, up 35% from 1973. In January 1979, ad pages sold were up another 10%. New magazines are starting at a dizzying pace and old ones, *Life* and *Look* prominent among them, are being revived.

And George Mead, who at 51 bears an uncanny resemblance to Clark Kent both in looks and manner, is smiling broadly. George Mead is chairman of Consolidated Papers, Inc., headquartered in little Wisconsin Rapids, Wis., the third generation of Meads to run Consolidated.

Consolidated gets over 90% of its earnings from coated, light-weight paper used primarily by magazine publishers and commercial printers. With overall sales of $387 million, Consolidated is a midget in the U.S. paper industry compared with International Paper, St. Regis, Georgia-Pacific, Boise Cascade or Mead (no relation). But it is a major factor in magazine paper, with an estimated 15% of the market.

George Mead is smiling because business is so good that when *Life* came back to life last October, he didn't have any paper to sell it; all of his output was spoken for. In fact, Consolidated is buying paper in Europe to supplement its own production and selling that paper, it says, at a loss in order to fulfill some of its commitments.

Consolidated management gets no high marks for foresight about this remarkable turnaround; it, too, was worried about the future of its chief customers. So much so that it made an unsuccessful attempt to diversify into carbonless carbon paper, only to have that product obsoleted by the copying-machine industry. It also hired Lawence H. Boling away from Scott Paper in order to move Consolidated more deeply into the heavier coated papers used for annual reports and brochures. Boling stayed on to become president. But credit Consolidated: It didn't panic; it didn't sell out or make hasty efforts to get into fast food or savings and loans or some other unrelated diversification.



Consolidated Chairman George Mead
No foresight, but no panic either.

To be sure, there was a string of bad years. From 1968 through 1972 Consolidated was regularly squeaking by with earnings that rarely exceeded 5% on stockholders' equity.

No more 5% returns for Consolidated. Last year earnings rose 66%, to $44 million ($8.36 a share)—a return of 24% on shareholders' equity. Compare that to International Paper's 11.7%, St. Regis' 11.9% and Boise Cascade's 14.2%.

This year the paper market is stro than ever. While the reported pri coated magazine stock is $600 a publishers pay as high as $900 a overseas—when they can get it. S analysts predict that Consolidated c earn $10 a share this year, $13 by 19

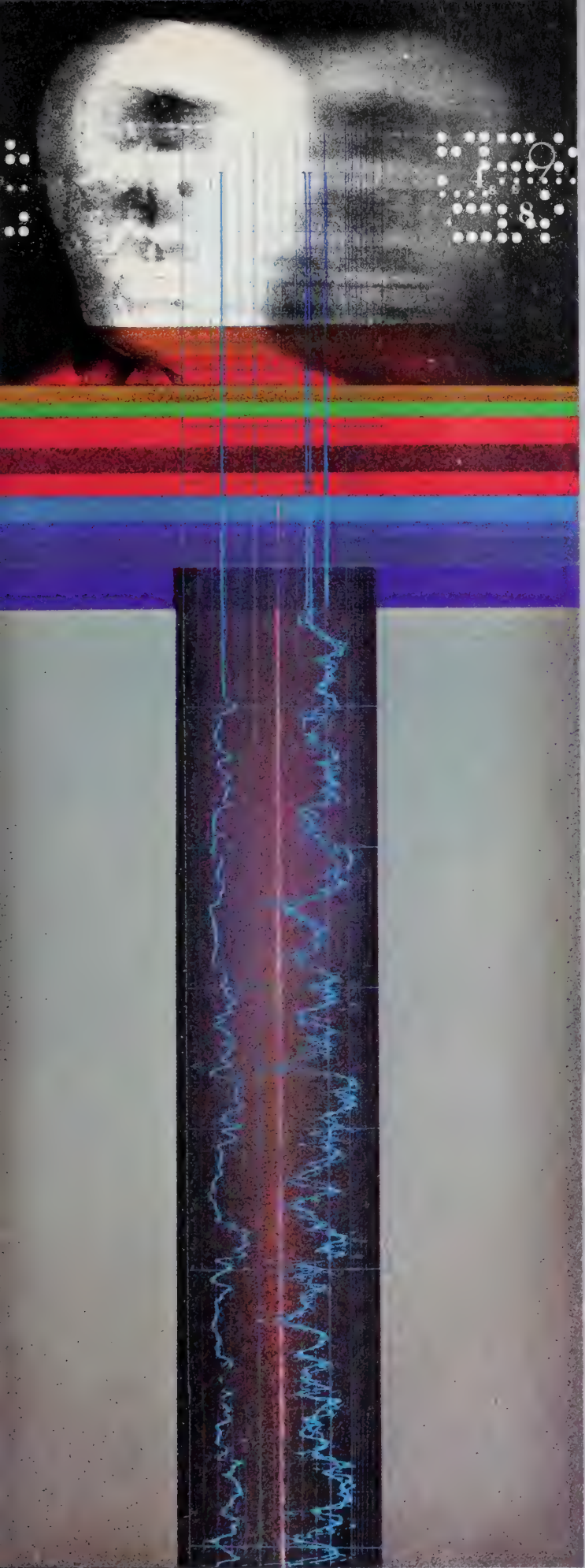
During the mid-Seventies, Consol ed had to live with a stock price that well below its book value; a take artist could have had the company huge discount. But that was one w Mead did not have. He and his fa own or control 43% of the 5.2 mi shares. Of the 12 directors, 6 are M Because of Consolidated's ultracons tive financial stance, there we enough bankers to direct a merge order diversification. Chalk one u ownership-management.

Conservative is putting it mildly. I industry where debt-to-capital ratio 30% and more are common, sma Consolidated has only $27.6 millio long-term debt in a total capital struc of $240 million. In an industry w overexpansion has been a chronic ease, Consolidated has gone very slo Its first new machine in 17 years, cos close to $64 million, will start spe out product this fall. The way profit pouring in now, Mead will be able to for the huge new machine out of flow and without incurring much a tional debt. The conservatism ap also to Consolidated's pension func where vested unfunded pension lia ties are amortized over 10 years, as c pared with 20 and even 30 years at companies.

With profits of the kind Consolid and its competitors are reaping f magazine paper, you can bet there wi plenty of expansion in the years ah U.S. capacity for light-weight, coate per will increase 24% between now the end of 1981. However, that ex sion will do little more than close the between demand and supply, accor to Mead, who notes production from new machine is already spoken for. sees no prospect of oversupply at l until the mid-1980s. After that? don't plan ten years out," says Bol "When we get beyond three years ou begin to giggle and get nervous."

Consolidated's stock price has sponded to the good news by doub since the start of 1978. But it still sel only six times probable 1979 earning Mead concerned? Not that you w notice. If he has a worry at the mom it is how to put all that cash flo productive use, without getting into businesses.

"This is an operating industry," Mead, a Yale-educated chemist and e neer. "You can't sit on top of a towe Manhattan and think lofty thoughts." that, both he and Boling chortle. All way to the bank. ■



Imagine tomorrow 1,000 feet deep.

And awfully wet.

We see science extending the petroleum age further than man thought possible even a decade ago. America has entered a new era of computerized seismic and well-logging technology, improved secondary and tertiary recovery, and drilling in very deep water offshore. Much new oil and gas remains to be found beneath as much as 1,000 feet of ocean. And we have the technology *today* to produce it tomorrow.

At Mobil, we're making waves offshore. In the Gulf of Mexico, where we've spent some $1.3 billion for leases since 1970, our drillers came up with oil or natural gas, or both, in 64 of our 167 new tracts (with 38 others still to be tested). We found the biggest oil field yet in the North Sea. And we're pioneering seabed producing units invisible from the surface.

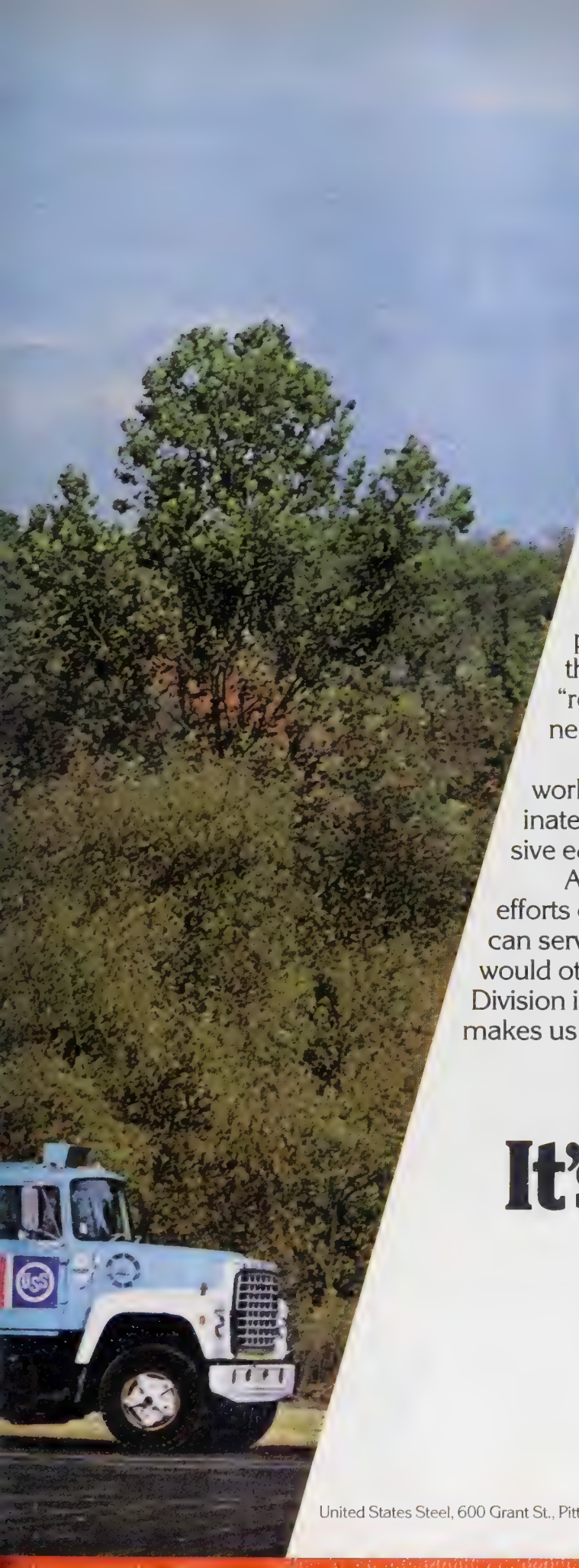
But even imaginative business initiatives can be drowned in overzealous environmentalism, misguided national policies, and government over-regulation. Which is why we repeatedly take our case to the people. Why we remind Americans there have been no more than four major oil spills associated with the more than 23,000 wells drilled off U.S. coasts (and even these were cleaned up with no permanent environmental damage). Why we make it clear our country can have *both* reasonable environmental protection *and* more energy, with the jobs energy brings. Why we champion a phase out of petroleum price controls to help avoid energy shortages in the '80s and '90s.

Mobil®

Speaking out for tomorrow...today

© 1979 Mobil Corporation

For thousands
of customers,
our "retail" division
performs
a vital service.
STEEL



Many manufacturers order steel from our mills in vast quantities, hundreds or thousands of tons a month. That's the most efficient way for them to buy.

But other times, customers may require only a few tons for immediate delivery and that order may not be practical for a mill to process.

Furthermore, many customers don't have the equipment to slit, shear, saw or burn their steel to the sizes needed in their manufacturing process.

The solution: our U.S. Steel Supply Division. It buys quantities of many kinds of steel from the mills, and stores and processes it in 28 service centers around the country. From this inventory, steel is "retailed" to customers in the amounts they need, when they need it.

These services enable customers to work with smaller inventories and often eliminate the need to make investments in expensive equipment.

All this means that through the combined efforts of the mills and service centers U.S. Steel can serve a great many more customers than would otherwise be possible. U.S. Steel's Supply Division is more than a much-needed service—it makes us a stronger company.

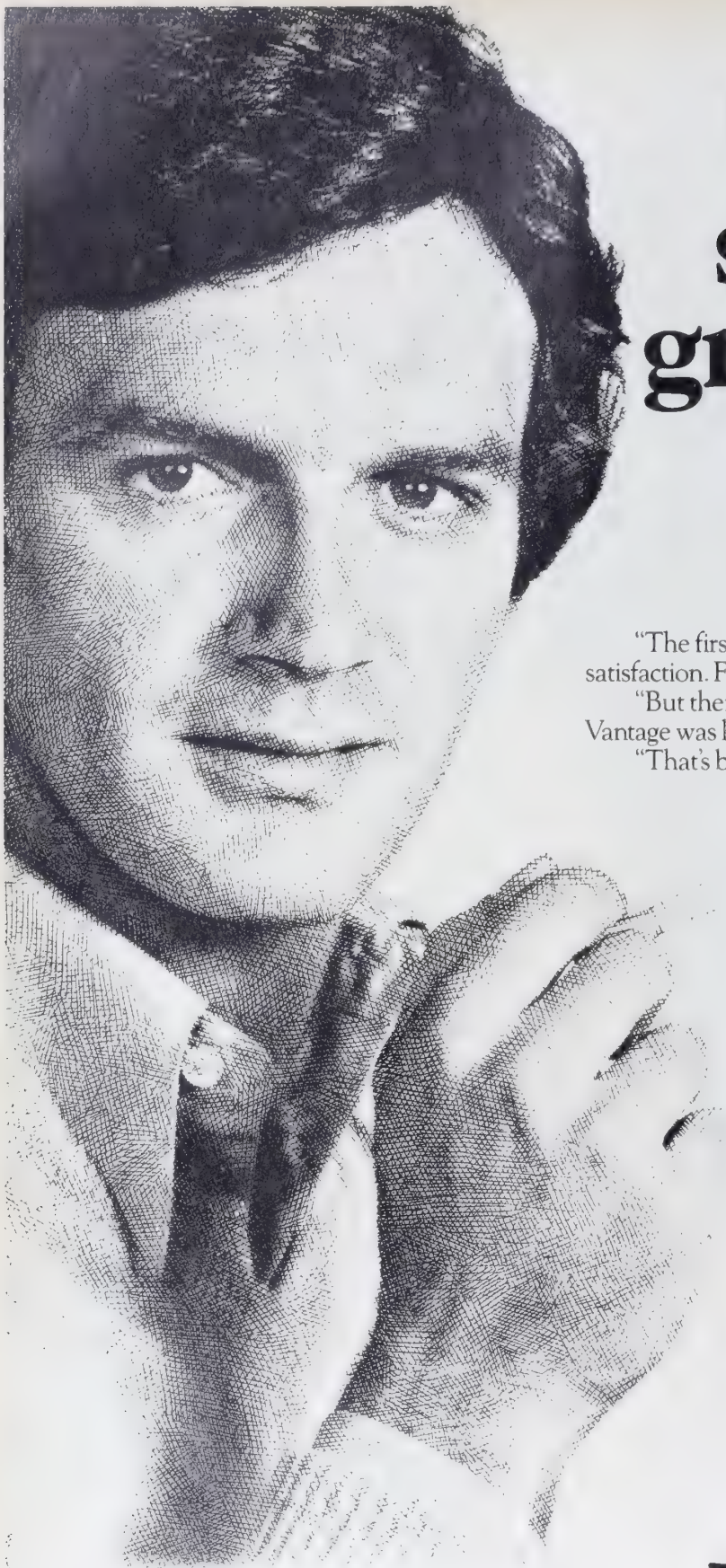
Service. It's one of our strengths.

USS

United States Steel, 600 Grant St., Pittsburgh, Pa. 15230

TRADEMARK

© 1979 R. J. REYNOLDS TOBACCO CO.



'I didn't sacrifice great flavor to get low tar.'

"The first thing I expect from a cigarette is flavor. And satisfaction. Finding that in a low-tar smoke wasn't easy.

"But then I tried Vantage. Frankly, I didn't even know Vantage was low in tar. Not until I looked at the numbers.

"That's because the taste was so remarkable it stood up to anything I'd ever smoked.

"For me, switching to Vantage was an easy move to make. I didn't have to sacrifice a thing."

Peter Accetta
New York City, New York

FILTER 100's: 10 mg. "tar", 0.8 mg. nicotine, FILTER, MENTHOL: 11 mg. "tar", 0.8 mg. nicotine, av. per cigarette, FTC Report MAY '78.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Vantage

Regular, Menthol and Vantage 100's.

e U.S. still leads in helicopters, but the ench have launched an ambitious invasion this hitherto exclusive U.S. preserve.

Vive l'hélicoptère!

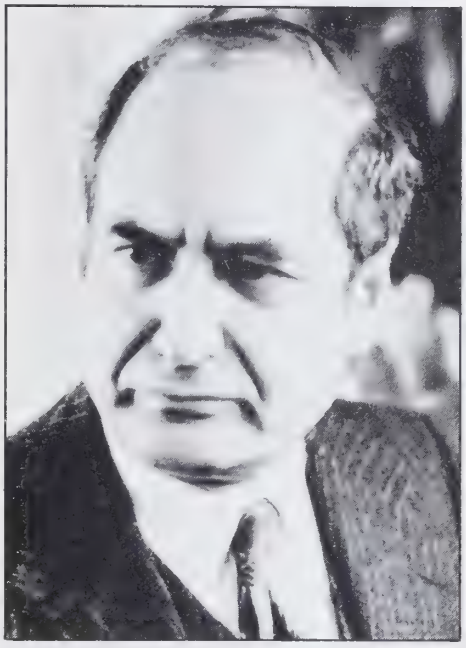
By Lawrence Minard

HESE HAVEN'T BEEN good years for the Mitterrand brothers, Jacques and François. As a leader of the ch Left, François, 62, went into se when the French bourgeoisie ral- ast year to the cause of private prop- and handed victory to Valéry Gis- d'Estaing's center coalition. Fran- younger brother, Jacques, 60, met wn Waterloo when the state-owned ète Nationale Industrielle Aerospa- (SNIAS), which he heads, was un- to sell three of its eight supersonic cordes after SNIAS and British Aero- e produced 16 of the sleek white iants.

t for Jacques at least, all is not lost. ast one division of his $2.2-billion-a- nationalized aircraft company is ing the French flag flying and mak- nice profit at the same time, its -million-a-year helicopter division quartered in Marignane, outside eilles. SNIAS is the world's third st maker of the versatile craft, after ron's Bell Helicopter division and ed Technologies' Sikorsky Aircraft ion.

Bell and Sikorsky standards, SNIAS iew factor in world helicopter com- ion. It got off to a good start building amed Alouette during the Algerian but exported nothing until 1968, sales were just $200 million. Last however, exports—mostly to the and Europe—accounted for about of the division's $585 million sales. old, SNIAS has produced around helicopters, *vs.* 23,500 for Bell and for Sikorsky. It has 19% of the et to Sikorsky's 25%, Bell's 30%.

used to be that generals were heli- rs' best customers. But since 1970, ig growth has come from corporate atives. The man who runs the heli- r division under Mitterrand is Fran- Legrand, who left a military career 962 to spur on SNIAS' helicopter



Aerospatiale's François Legrand
Flying hard against Sikorsky and Bell.

production. Legrand figures that the non-Russian world's military helicopter fleet climbed 16% between 1970 and 1978, to 21,000 ships, while the civilian fleet more than doubled, to 14,000. He believes the military fleet will grow at less than 3% annually through 1985, while the civilian fleet will grow at between 6% and 8% per year. "We think the [civilian/military] aircraft mix will be 50-50 by 1985," he says.

Mitterrand and Legrand have learned something from SNIAS' Concorde setback: Sell the medium and low ends of the market, not the high-priced end. Legrand's biggest hope right now is on SNIAS' new Ecureuil (or, "Squirrel"), six-place runabouts designed to compete against Bell's 206 series. The AStar model, which Legrand hopes will capture big hunks of the North American market, comes powered by a 615-horsepower turbine engine made in the U.S. by Avco's Lycoming division. A more powerful model, the TwinStar, will be officially introduced in 1981; it is powered by two 420-horse turbines from GM's Allison subsidiary. Legrand confidently asserts there is no visible competition for the TwinStar, yet.

Borrowing such concepts as injection-molded plastic bodies and mass-production economies of scale from the automobile industry, Legrand can profitably sell the six-place AStar at just $252,000 a copy (and TwinStars at $510,000); Bell's five-place 206B JetRanger III model goes for $225,000 while its seven-place 206L-I LongRanger costs $362,000. Thus is SNIAS putting on competitive pressure. "What we understand," says Legrand with more than a little pride, "is that Bell was forced to stop its planned price increases on the 206 when we introduced our AStar." Legrand has already delivered 50 AStars since he began commercial production last year, and is working to fill orders for 350 more. Production capacity is currently 10 per month, will expand to 22 (including TwinStars) by midyear and hit 30 a month in the early 1980s. At Bell, capacity is 45 helicopters a month.

Legrand does have his headaches, labor being a major one. His assembly-line workers earn around $250 for a 42-hour week—low by U.S. standards but high enough by French standards that Legrand is forever looking for ways to motivate his work force. Listen:

"In France now, workers get four weeks vacation in summer, plus another week off in the winter to go skiing. Most of them have reached a standard of living where they aren't really interested in making any more money." So much for "cheap" labor.

How do you motivate workers who aren't interested in more money? Legrand's solution: Try psychic rewards.

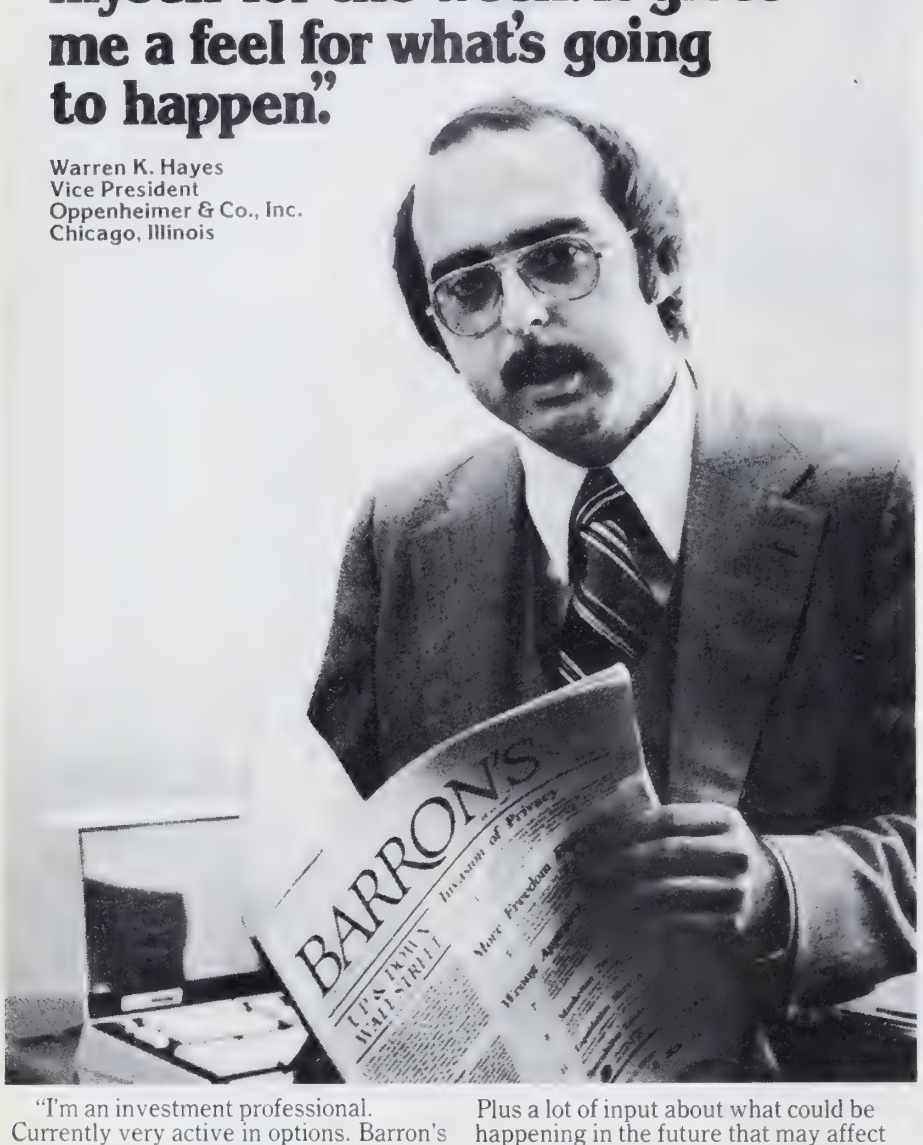
Borrowing from Volvo's Kalmar experimental factory in Sweden, Legrand recently introduced the concept of autonomous team assembly. A group of workers assembles a complete AStar from the ground up. There are no foremen, and workers can go to the canteen whenever they like. Legrand gives each team a production quota; filling the quota ahead of schedule means a team's members can repair to their favorite bistro, go skiing or to the beach.

To introduce competition among teams, Legrand uses the Japanese technique of posting teams' productivity rates in the hangars, all plotted against each other. It's still experimental, but there are signs it is working: SNIAS helicopters' 7,800 workers account for 21% of SNIAS' work force, but 26% of its revenues and probably a great deal more of its profits.

How's SNIAS' *airplane* division making out, now that Concorde production has closed down? Not badly at all, thanks

"I read Barron's to prepare myself for the week. It gives me a feel for what's going to happen."

Warren K. Hayes
Vice President
Oppenheimer & Co., Inc.
Chicago, Illinois



"I'm an investment professional. Currently very active in options. Barron's keeps me up to date on new techniques, regulations, and what's happening in the entire field.

"In addition, I handle arbitrage, convertible bonds and special situations. Barron's timely articles and in-depth research help me in all these areas.

"But basically, I use Barron's to prepare myself for the market week ahead. Not only do I get a summary of the past week's happenings, but also statistics that I'll be referring to through the week. Plus a lot of input about what could be happening in the future that may affect my decisions today."

For financial insight—and foresight—there's no publication to match Barron's. Whether you're a professional investor or an individual investor—you need our depth of reporting, our breadth of statistics, our ever-probing view of every investment vehicle. And you need them every week. Look ahead with Barron's. Over one million readers do.*

*Source: TGI, Spring, 1978.

Today is history. Tomorrow is Barron's.

BARRON'S, 200 Burnett Road, Chicopee, Mass. 01021
The National Business and Financial Weekly from Dow Jones

☐ Please enter my subscription to Barron's for 3 months (13 issues) at $9.
☐ I prefer one year (52 issues) at $36. ☐ Payment enclosed. ☐ Bill me.

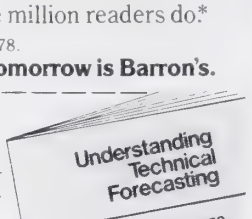
I understand, upon receipt of subscription payment, I will receive a free copy of the 32-page booklet, "Understanding Technical Forecasting: How to use Barron's Market Laboratory Pages."

Name _____

Address _____

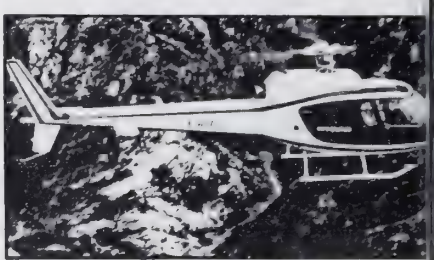
City _____ State _____ Zip _____

Prices good in U.S. and Possessions only. 2B885



to the $33 million-a-copy Airbus, joint venture of SNIAS, the U.K. Germany, which competes with Donnell Douglas' DC-10 and Lockhe L-1011. SNIAS airplane division offic in Toulouse say they have already sol received paid options on 180 Airbu and have received letters of intent purchase 60 more. Eastern Airli recent order and paid options for 3 the wide-bodied 244-seat A-300 c (plus options on another 25 of a sma version) will probably push product close to the breakeven point—good n indeed for General Electric, which s plies most Airbus engines, and for P & Whitney, which will provide the p er for the 12 planes recently ordered Scandinavian Airlines System.

Back in Marseilles, François Legr has the same dream held by every seri helicopter man: a technological bre



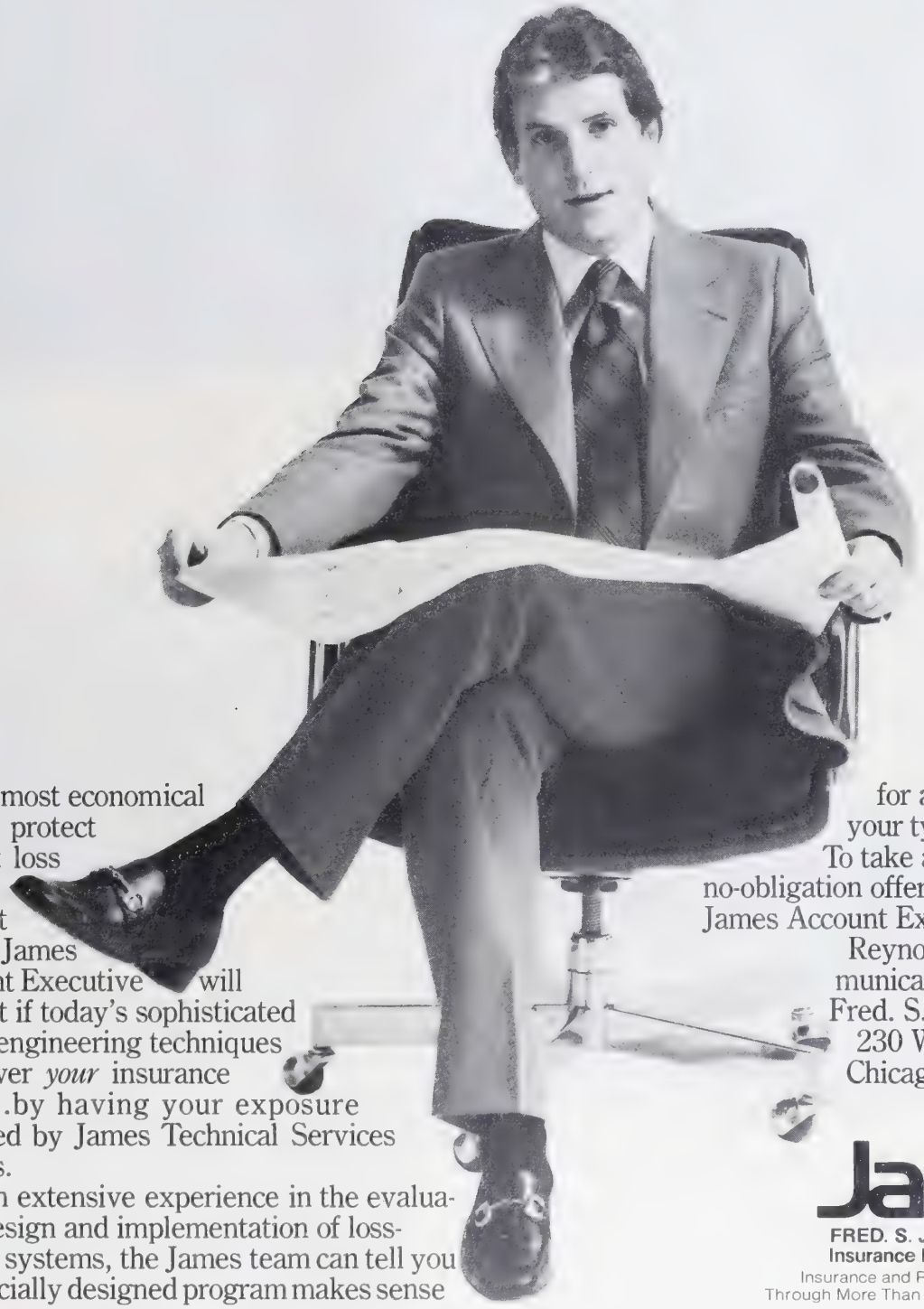
Aerospatiale's Ecureuil AS 350
It still can't compete with Cessnas.

through that will enable helicopters compete in price against Cessnas, Bee crafts and others in the $2.1 billion ci ian fixed-wing general-aviation mark But the dream is elusive. Says Legra "To be competitive with fixed-wing helicopter must be priced at no m than 50% above the cost for the equ alent passenger space of the fixed-w plane." Unfortunately for helicopters, AStar sells for over eight times m than a $29,000 Cessna 172.

What's the problem? Definitely technology, says Legrand: "It's purely economical problem of producing a l cost engine, since engines are typica two-thirds of the cost of a helicopte Legrand adds that because of its li weight and relative simplicity a Wan engine probably offers the best ho "But we'll have to wait until the au mobile industry develops and mass-p duces it at low cost."

So no matter how you slice it, the c rate helicopter is still at least a h decade away. Therefore Legrand is ke ing his Perrier-bottle green eyes on competition at hand. He is somew worried by Japan, where Kawas Heavy Industries Ltd. produces helic ters under licenses from Hughes, Boe and Germany's Messerschmitt-Bölk Blohn. But, he concedes, the Americ are still the team to beat: Bell in civilian market, Sikorsky in milit sales. Good news for America's batte commercial pride. ■

Can modern safety engineering reduce your company's insurance costs? Your James Account Executive will find out for you–fast.



The most economical way to protect against loss is to prevent it. Your James Account Executive will find out if today's sophisticated safety engineering techniques can lower *your* insurance costs...by having your exposure analyzed by James Technical Services experts.

From extensive experience in the evaluation, design and implementation of loss-control systems, the James team can tell you if a specially designed program makes sense for an operation of your type and size.

To take advantage of this no-obligation offer, contact your local James Account Executive. Or write Reynolds Blossom, Communications Department, Fred. S. James & Co., Inc., 230 W. Monroe Street, Chicago, Illinois 60606.

James

FRED. S. JAMES & CO., INC.
Insurance Brokers Since 1858
Insurance and Risk Management Services
Through More Than 100 Offices Around The World

Finding new ways to

Lockheed knows how.

"Biggest advance since the autopilot."

That's one widely held opinion of an exclusive fuel-saving system now being installed in many L-1011 TriStars.

Called the Lockheed Flight Management System, it senses altitude, speed, and other flight factors. Then it can act automatically to control the engine throttles for best fuel-use efficiency at all times during flight—takeoff to landing.

Flight management control panel

Though a new feature, the system isn't just for new planes; it can easily be added to existing L-1011s. And the savings, over the life of each plane, could total millions of dollars.

Making aircraft lighter.

Since the 1930s, most aircraft have been structured of strong, lightweight aluminum. Future generations of aircraft may also be made mostly of aluminum, but of a very different nature.

A new technology being explored by Lockheed uses powdered aluminum, alloyed with such elements as iron, lithium or cobalt, to create lighter, stronger and stiff metals than can be achieved with conventional alumi technology.

Results indicate this 'new aluminum' could reduc present-day jetliner weight by 10%. That in turn means savings of millions of gallons of fuel over each aircraft's life, a big benefit in energy-short years.

Aluminum lithium alloy magnified 1,000

For this new-material process, Lockheed scientists even had to employ astonishing techniques for turning the powdered aluminum and alloys into superior metal. After heating and melting example, the mixture is rapidly cooled *a million tim faster* than the cooling rate used with standard aluminum ingots.

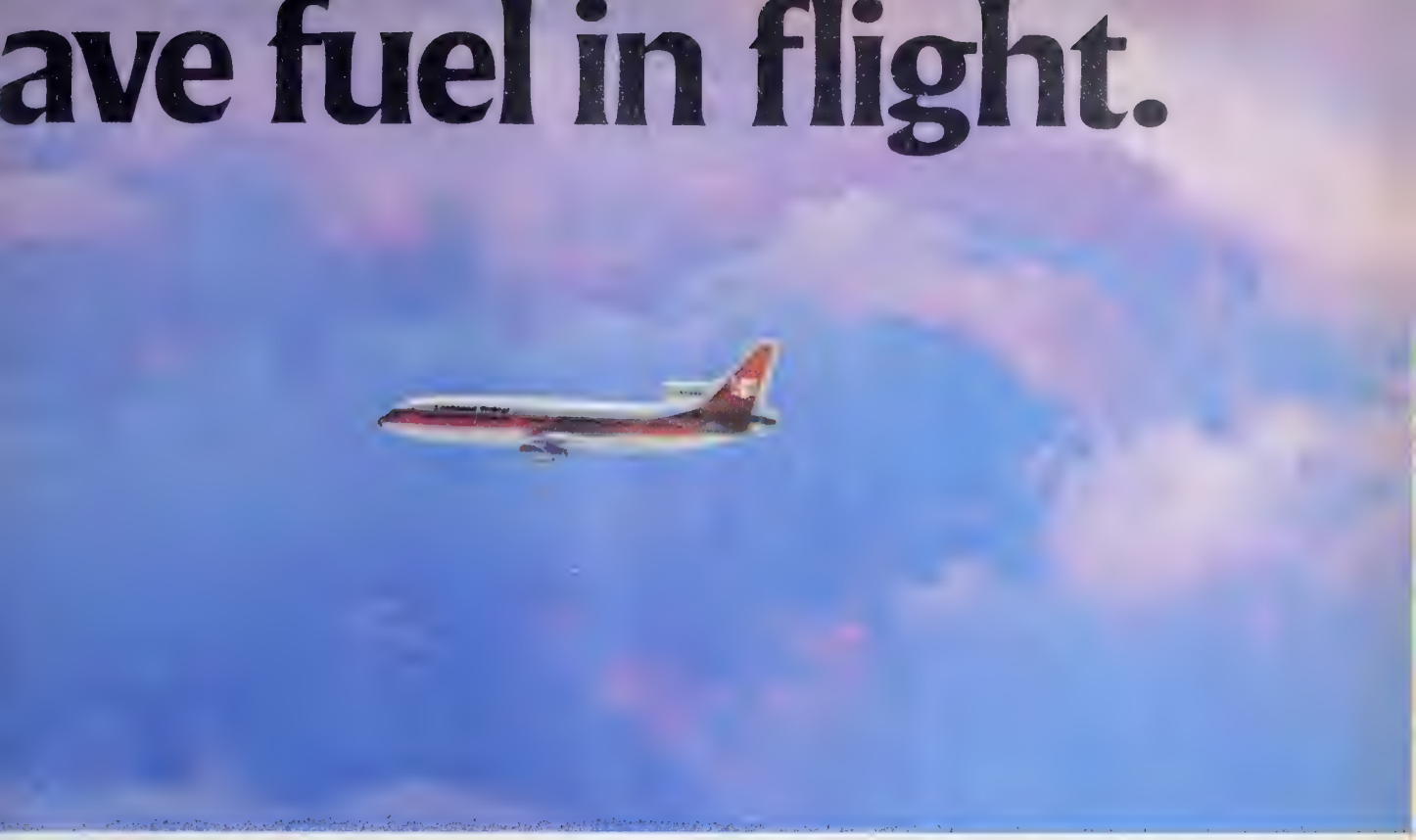
Down the road: liquid hydrogen.

Lockheed scientists are deep into a NASA-sponso study of a future aircraft, powered by a clean-burnin liquid hydrogen, that could cruise at a flashing hyper speed of about 4,000 mph, or six times the speed of so

Because liquid hydrogen can be made from coal even water, its future use in aircraft could eliminate need for scarce, expensive petroleum.

The aircraft would cruise at altitudes as high as 12 feet and have ocean-spanning range. Its 200 passen

ave fuel in flight.



r liquid hydrogen fueled aircraft

be whisked from New York to London in under two
and could make the Los Angeles/Tokyo flight in
two hours, 18 minutes—takeoff to landing.

tuning the flight plan.

en a pilot calls Lockheed's JetPlan, he's in touch with
puterized encyclopedia of information affecting
posed flight. And the benefit he gets is eye-opening
my—savings of both time and fuel.
ap a constantly updated reservoir of data, a pilot
preflight contact via telephone and a small printer
al. In minutes, he gets back his most efficient
lan. Given origin, destination, and type of aircraft,
reckons its answer from such factors as route
is, current weather, recommended fuel load,
altitude, speed and shortest route.
well does it work? Over a recent 12-month test
, U.S. military and corporate aviation saved more
0 million gallons of fuel, or better than $1.5 million.
at's just the beginning. The number of JetPlan users
e savings are both growing steadily.

Stretching wings.

Longer wings mean reduced drag and consequently a substantial cut in fuel use. But among big wide body jetliners, only the Lockheed L-1011 TriStar can add nine feet of wingspan without costly structural redesign.

That's because of the L-1011's advanced technology, in this instance an exclusive system of Active Control ailerons. Controlled by computers, these ailerons will act automatically to reduce the structural loads on the lengthened L-1011 wings.

Longer wings for less drag

The longer wings and Active Control ailerons will mean a healthy savings of fuel when they enter airline service in 1980. And they'll also help the L-1011 have the smoothest ride of any jetliner through gusts and turbulence.

When it comes to devising farseeing programs to meet the growing fuel crisis, Lockheed knows how.

Lockheed

A Diamond made of wood?

Nearly 70% of everything we make begins as trees. Over 1.4 million acres. We also take the trees we harvest farther than commodity forest products companies.

Into consumer goods, for example. Playing cards like Bicycle,® Congress® and Tally-Ho.® Diamond® matches. Cotton swabs. Vanity Fair® paper towels, tissues, napkins. Paper plates. Finished lumber.

What else is different about Diamond? In the last six years we've nearly doubled our sales—to over $1 billion. We now operate over 100 building supply home centers.

We've paid stockholder dividends for 98 years in a row. And our dividend yield for the last 5 years was the highest among all forest products companies.

Write for our quarterly and annual reports.

DIAMOND INTERNATIONAL

733 Third Avenue, New York, N.Y. 10017

Forest Products · Packaging & Printing · Consumer Products · Building Materials & Home Supplies · Machinery Systems

irman and Chief Executive Officer William L. Wearly
made perfectly logical decisions but so far events have taken an illogical turn.

as Ingersoll-Rand lost its once magic touch?
r is it merely suffering from growing pains?

Like capital goods? You'll love Ingersoll-Rand

By Jean A. Briggs

WHAT'S GONE WRONG with Ingersoll-Rand? The shares of America's premier capital-goods pro-er sold last month at barely half their 6 high and lower than during the k market panic of 1974.

he problem is not earnings *per se*. er a dip in 1976 and 1977, Woodcliff e, N.J.-based Ingersoll-Rand's earn-s per share hit a new record last r—$6.65 on sales of $2.3 billion—and uld rise another 10% this year to 25 or so. Why, then, is this blue chip npany, which has almost always sold a substantial premium to the Dow es industrials, now fetching less than en times earnings in a nearly eight-es-earnings market, actually below its conservatively stated book value?

The essential problem is that Wall Street expected more of Ingersoll-Rand. Look at the figures: In the 1960s Ingersoll-Rand earned 17% on stockholders' equity while its chief rivals earned perhaps 11%; last year I-R returned just 14.4% while competitors like Dresser Industries and Gardner-Denver did much better. On net margins the story is much the same: I-R used to be a leader; now it is merely average. Even Chairman William L. Wearly is disappointed: "Our earnings were up 13% last year. I'd rather they were up 18% "

That Ingersoll-Rand's earnings growth has slowed down can, of course, be blamed on the relative weakness of capital spending by American business in recent years and by serious recessions overseas where I-R sells much of its output. The company geared up for big growth, but big growth wasn't there. The comparative loss of profitability is more worrisome, however, because it reflects a tremendous increase in competition. Take portable compressors, a line in which Ingersoll-Rand has long excelled. Says Wearly, "In 1940 there were six manufacturers of portable compressors in the U.S. By 1960 there were 13 and by 1968 there were 18."

Wearly, a hard-driving, dedicated man of 63, explains how this apparent loss of profitability came about. His immediate predecessor, Robert Johnson, took over in 1959 shortly after the regime of an octogenarian who had run the company for 42 years. Johnson went after growth. Until then, Wearly explains, the company's strategy had been to run plants at capacity, put no new money into them and to sell an excellent product at a premium. The result was that I-R's short-term profits were at the expense of long-term growth. "We were holding a price umbrella over the heads of our competitors," he says. "They were getting the growth and we weren't."

Johnson began changing that, and Wearly, who took over in 1967, has continued to build for the future. The new strategy involved lowering prices and building efficient new capacity to meet the demands of a growing market. It also involved developing new products. The company opened a research laboratory in Princeton, N.J. in 1965 and began acquiring companies in related businesses.

This was a sharp reversal. Where the old management had emphasized profits today rather than growth tomorrow, the new management was penalizing today's earnings by providing for the future. Unfortunately, just as the new strategy was beginning to ripen, the entire world economy turned soft in the wake of the energy crisis of 1973-74 and capital spending slowed down. Ingersoll-Rand was stuck with too much capacity and too much inventory. Once again it was out of phase with the economy. Companies that might have been expected to invest in plant and equipment deferred their plans. Meanwhile, environmental laws, some of them ridiculously strict, were passed; when companies started spending again it tended to be for pollution control devices rather than for the gas compressors, pumps and pulp-mill equipment which Ingersoll-Rand specializes in.

Wearly, convinced that a turn had to come, kept expanding. He spent $40 million in 1973, $85 million in 1974, $126 million in 1975 and $107 million in 1976. He put huge hunks of that money into plants to grind out coal mining equipment, a logical move in the face of the energy situation.

Ingersoll-Rand's new continuous coal-cutter
Sorely tried, but still keeping the faith.

Equally logical was I-R's powerful drive for overseas business. In the Sixties it built big overseas plants in England, Italy, India and Spain. It also intensified its efforts to export from its U.S. plants, especially after the quadrupling of oil prices. "The task in those days," Wearly recalls, "was finding ways to recycle petrodollars." Between 1972 and 1975 alone, Ingersoll-Rand's international sales—exports and plants abroad combined—rose from $300 million to $700 million, going from about 34% of sales to 42%. I-R had become a multinational.

But in 1976, international business went flat. Wearly alternately blames himself and Washington. He talks at length about the antibusiness atmosphere that developed in Washington about that time—cutting export incentives, attacking multinational corporations, and forcing American companies to adhere to a much stricter code of business ethics than their European and Japanese competitors practiced. He also says that President Carter's carping at Brazil's antiterrorist efforts hurt Ingersoll-Rand in that important market. The same "human rights" stance, Wearly says, cost I-R business in the Soviet Union.

But Wearly doesn't accept excuses either from himself or from his executives. "We should have known enough not to get caught. We should have read the turndown. The signals were there. We should have pulled in our horns. Instead, in spite of all the things [happening in Washington] we said, 'Yeah, but it isn't going to hurt us.' " I-R had to write off several million dollars in foreign inventories in 1976. The company's international business has not fully recovered yet.

Like many other companies, Ingersoll-Rand was a victim of the notorious FASB-8 that forces unrealistic changes in overseas income statements because of changes in the value of the dollar. These cost 70 cents a share in 1976 and $1.09 in 1977—the bulk of the decline in earnings during those two years. Analysts point out that rivals, such as Cooper Industries and Dresser, were able to avoid such losses. "Ingersoll-Rand didn't act quickly enough to limit its exposure," complains one. In 1978 the company did act to limit the exposure. "One thing we did," explains Vice Chairman David Garfield, "was pay off a loan we had in Swiss francs." The result is that last year currency translation did not materially affect net.

One of Ingersoll-Rand's greatest disappointments was in coal mining machinery where it probably ranks second. "The coal mines were a real disaster," says Wearly. Last year's coal and railroad strikes just deepened the wound. "We were just about out of business for four or five months," he says. "If we hadn't had that bad thing in international, we probably would have swallowed the coal mine thing and not talked much about it."

Clearly, most of I-R's problems arose from situations outside of management's control. It did the logical things—pushing overseas, building extra capacity for coal mining machinery. But political events took a turn that was, to say the least, illogical. Less forgivable is the fact that the company lost a few rounds to competitors. In the 1960s Cooper was developing a new kind of compressor for the pipeline market, one run with jet engines. It worked with Pratt & Whitney, then with Rolls-Royce and ended up with the lion's share of the market. gersoll-Rand developed a competit product, but, unfortunately, it didn't well. Last year the company finally g few big orders for this product. O however, was in Iran and Wearly doe know now whether that order will honored. "We stopped work on it," s he, "but they might say, 'What did do that for? We want the equipment.'

Another problem was the excess startup costs of a big new plant in Bra Says Wearly: "It cost us a lot of mone 1978. It was a real disaster. But w crying about the wrong thing if we about that."

These setbacks, some self-inflict some not, explain why Ingersoll-Ran profit margins have clined, its earni growth slowed and stock fallen out of fa These problems, howe are basically short-run may be that investors paying too much att tion to them and too li attention to the powe position Ingersoll-R has built in a busin that, sooner or later, boom.

No matter what par the capital-goods busin booms, I-R is going to getting its share. It sell home builders, au mobile and aircraft m ers, utilities, the chemical, paper and t tile industries, you name it. Its produ range from door locks to rock drills multimillion-dollar compressors. can help a less developed country deve its natural resources, then build its ind try; when it becomes affluent we can s sell it products," says Wearly.

As for the immediate future, 19 looks fairly good. The coal and the r road strikes are history. "The coal bu ness won't be what we anticipated se al years ago, but it's kind of danc along now," says Wearly. Now the c per industry is recovering, construct remains stronger than expected most of the problems at the Brazil pl are solved. The company, he points o is now growing into its capacity.

Operating across industries around the world, with a vast catalo products and a solid reputation for qu ity, Ingersoll-Rand has got what world needs. A 10% earnings increas not bad in a year when capital spend is not expected to increase by mu Looking beyond 1979, if I-R can get profits back—not to the unattainable l els of the Sixties but to the level of 19 73—earnings of $11 or $12 a share wo be reached easily. The only real quest is: Can it achieve that by the time We ly, now 63, retires? ■

Discover more.

Let your mature taste lead you from the finest premium Scotch on up to the most expensive 12-year-old Scotch in the world. The Glenlivet. The ultimate in Scotch.

Most premium Scotch is blended and depends on several whiskies for taste and smoothness.

Yet the unblended character of The Glenlivet is noble enough to stand alone. In this distinctive Scotch whisky you'll experience an exceptional smoothness and full-bodied richness, unmatched in all other premium Scotch.

Try the taste beyond premium Scotch.

The Glenlivet
Unchanged since 1824.

THE TASTE BEYOND PREMIUM SCOTCH

Anticipating an

Although the concept of loss control is universally accepted, in practice it often fails to receive adequate attention. But when loss control programs are professionally planned and managed, major cost reductions can be achieved.

A brief review by INA of an insurance topic of interest to business executives.

Among the nation's numerous plants producing synthetic rubber, one in Louisiana has an unusual distinction. The accident rate at this plant was 85% lower in 1978 than the most recent national average for all plants in its industry, while the severity of those accidents that did occur, measured in terms of lost work days, was only 11% of the national average.

Was the plant just lucky? Not likely. Behind the statistics is an impressive story of dedication to loss control – specifically to safety measures that protect employees from injury and their employer from financial loss.

In every category of risk today, loss control is becoming a professional discipline. In addition to occupational safety and health, it is being applied successfully to all kinds of property risks and to liability exposures in general, including such high-risk areas as product safety and medical malpractice.

Taking infinite pains

Loss control has been said to consist largely of an infinite capacity for taking pains. It is true that a successful program is usually made up of thousands of details, each perhaps seemingly insignificant. Is the control valve on the water pipe for the sprinkler system kept open? Are the warning lights on a lift truck in operation? Has a new employee had a hearing examination? Should a guard rail be installed around a conveyor belt?

If such details are to be of concern to personnel throughout an organization, that concern must originate at the top, with management itself, and must be steadily maintained. The indispensable ingredient in successful loss control, specialists agree, is management commitment.

Most loss control programs start with a review of operations and the identification of actual

Preventing Losses

and potential hazards. Then goals are set up and comprehensive counteraction is initiated and monitored. Data is collected on all losses incurred and the results compared with earlier experience. At the synthetic rubber plant that achieved an exceptional record in occupational safety, all of these elements are incorporated in the plant loss control program.

For example, employee training is stressed. All supervisors are required to take a course in safety given by a safety engineer. Every new employee gets an overall safety orientation, followed by individual job safety instructions.

Active participation in the safety program is required at all levels. Each month, the safety engineer meets with a central safety committee made up of the seven top operating officials of the plant. Following that meeting, each department head conducts a departmental meeting with his supervisors.

In turn, the supervisors meet weekly with their work crews to discuss safety problems and take whatever action may be necessary.

Inspections, inspections

No day goes by without its share of inspections to determine whether rules are being followed and safe conditions maintained. Each supervisor makes a daily informal housekeeping inspection, with observations and the corrective actions taken reported by memorandum to the department involved. Every week, formal inspection tours of each department are conducted by groups of hourly employees who work there. Every month, individual members of the safety department scrutinize all operations throughout the plant. And every quarter, the same kind of intensive examination is made by groups of salaried personnel in each department.

Thus all plant personnel, from the plant manager on down, take a direct, first-hand interest in seeing that loss control works.

And now, the payoff

In addition to the purely human benefits deriving from an effective loss control program, the economic rewards can also be impressive. Every dollar gained through loss prevention goes straight to the bottom line.

Moreover, when loss control results in demonstrably lower risks, insurance premiums are also likely to be lower.

INA has been a major factor in the success of numerous loss control programs as part of its insurance operations. And ESIS, an affiliate, provides loss control and other services to companies with self-insurance programs, as well as sponsoring the International Safety Academy.

* * *

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance and financial service companies. In property and casualty insurance and risk management services, life and group insurance, health care management, and investment banking, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on current trends in loss control, write INA, 1600 Arch Street, Philadelphia, Pa. 19101.

An industry committed to loss control

One example of the results attainable through loss control is provided by the U.S. airlines. By adhering to their own rigorous safety procedures, in addition to those called for by government regulations, the airlines have achieved steady reductions in their long-term accident ratios and have compiled an outstanding safety record.

INA

The Professionals

"At National Distillers, ChemLink helps us marshal our money faster and control it better. Thanks to Chemical Bank, and Chemical bankers like Peter and Jane."

F. Donald Brigham, Treasurer, National Distillers and Chemical Corporation.
Photographed at the Houston plant of U.S.I. Chemicals— a division of National Distillers and Chemical Corporation

"Tight control of company cash has long been one of the top priorities of financial officers everywhere," says F. Donald Brigham, Treasurer of National Distillers, the diversified chemical, liquor, wine, metals and textile company. "ChemLink, Chemical Bank's computerized financial management system, has made it easier for us to manage the movement of our money by giving us more timely information about the cash in our banks. And by facilitating short-term investing, it has helped produce savings that show up in hard dollars on the bottom line.

"We have 48 disbursement accounts across the country. To fund our local bank accounts we used to telephone our disbursement banks and give verbal instructions—a slow, error-prone process that generated a lot of paperwork. Now, we just type our instructions on a terminal and get automatic execution via ChemLink. We also get virtually instantaneous hard copy confirmation.

"Now, look at another situation that's just as illustrative. We have 32 lock boxes in 18 cities. Through ChemLink, all those deposits are now concentrated into Chemical Bank via depository transfer checks. Thus, ChemLink makes it possible for us to know today what money will be available for investment tomorrow. Again, for far fewer dollars than what it used to cost us to concentrate money by wire transfer.

"Chemical's determination to maintain a position of leadership in cash management is evidenced by th bank's commitment to existing services and to adding more advanced capabilities to the ChemLink system

"As well as by knowledgeable people like Peter Bartko, our accoun officer, and Jane Arkedis, our cash management specialist, who've mad it their business to know what our needs are. And their advice is invaluable."

At Chemical Bank, experienced people like Peter and Jane are an important factor in building a relationship as successful as this one. But s are the knowledge and professionalis that result from continuing leadershi in worldwide cash management. All which you'll discover as your relation ship with Chemical evolves.

CHEMICAL BANK

Main Office: 20 Pine Street, New York, New York 10005. Our Worldwide Network: Abidjan, Bahrain, Beirut, Birmingham, Bogotá, Brussels, Buenos Aires, Ca Caracas, Channel Islands, Chicago, Dubai, Edinburgh, Frankfurt, Hong Kong, Houston (affiliate), Jakarta, London, Madrid, Manila, Mexico City, Milan, Monrovia, Nassau, Paris, Rio de Janeiro, Rome, San Francisco, São Paulo, Seoul, Singapore, Sydney, Taipei, Tehran, Tokyo, Toronto, Vancouver, Vienna, Zurich

s the recent upsurge in the market over-ced domestic oil and gas stocks? That's ing the wrong question.

How high is high?

By Howard Rudnitsky

STATISTICAL SPOTLIGHT (FORBES, 5, 1977) Peter Treves (of Treves & waxed enthusiastic over domestic Canadian oil and gas stocks. gh late February the oil and gas s listed along with that article l, on average, 18%. More recently, ver, they have been performing spec-rly. For example, Petro-Lewis d 30%, from 9¼ to 12, in one week. ves spends his winters in Florida We phoned him there and asked if these stocks still had potential. He led. "Yes, I noticed on television a of Wall Street experts recommend-domestic oil and gas s," he said. "I'm glad they caught on. No, I don't this group is played out. stocks have gone up dra-ally—like Dome Petro-which has doubled, or nd Oil, Shenandoah and But stocks like Tosco, y and Forest Oil are still values.

is Superior Oil," he said. ot an appraised net worth nn S. Herold's *Petroleum k* of $615 a share and sells 46." So too, he thinks, number of Canadian oil anies.

ves also pointed at the rate ich smaller companies are bought by larger ones—Diamond by Bow Valley, Petroleums by Petro-la, Austral by Superior. Or e selling off properties, shland, or liquidating en-like Shenandoah. Either hey were worth consider-more to the buyers than they had been selling for market.

l Treves: "That trend will ue. Oil and gas are one of the three basic ways of investing to protect yourself from inflation, the others being gold and real estate—if it's well run and well located." Gold? Not now: "Oil and gas are as good as gold and, in the long run, probably worth more."

Geoffrey Hertel, vice president and head oil analyst at Houston's Rotan Mosle Inc., agrees with Treves. "True, a number of large oil and gas companies have had sizable runups, and may have gotten ahead of the market," Hertel says. "But there are still others around, second-tier ones, that haven't discounted the increasingly attractive situation."

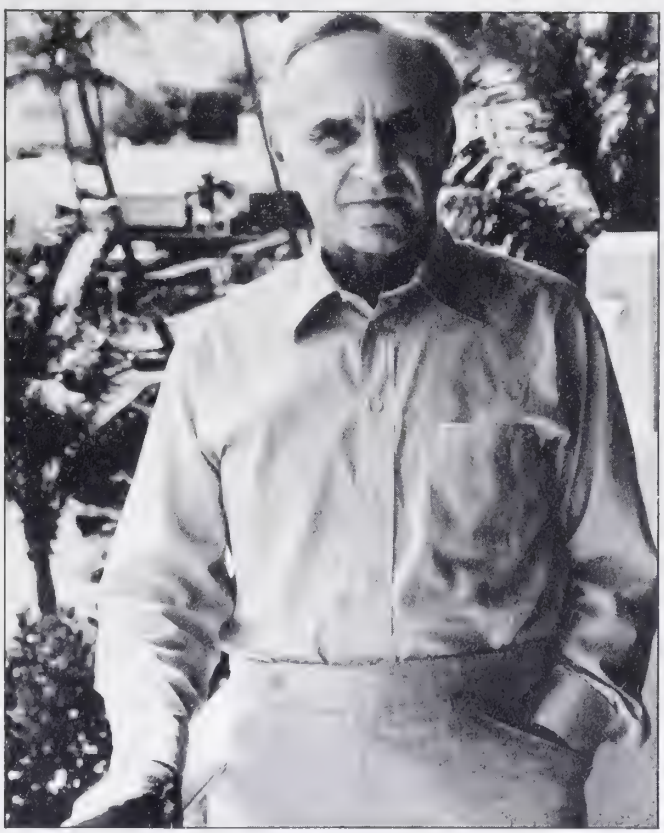
Hertel feels the market hasn't yet discovered stocks that "aren't pure energy, what I call half-breed or dual-operation companies. Like Santa Fe Industries, Union Pacific, DEKALB AgResearch, Seagram, Reynolds (R.J.) Industries, Freeport Minerals, Mountain Fuel, Centex and Burlington Northern." These traditionally nonoil companies have all acquired oil, gas or uranium reserve positions, much of them in North America.

Take Union Pacific, says Hertel. "It's getting more than half its earnings from energy today and it's rapidly developing its coal and oil resources. Or Seagram Co. Everyone thinks of it as a liquor company and it sells for $30 a share and a low multiple. But its growing oil and gas reserves today are conservatively worth $20 to $25 a share alone. So you're getting the rest of it for next to nothing."

Donald C. Samuel, president of New York's Energy Fund, has 35% of his fund's $195 million assets invested in oil, gas or petroleum stocks like Getty, Mesa and Texas Oil & Gas. Samuel is also intrigued by Coastal States. Says he: "It has big gas reserves up in Montana's Williston Basin and it hasn't gotten much publicity." True, the stock is up from 13 last fall to 20. But Samuel points out that Coastal is in the process of spinning off its long-troubled Lo-Vaca gas-gathering division to its shareholders. The division has a worth of about $6 to $7 a share on the market on a when-issued basis. Since Coastal is selling at about $20, that would mean what's left is worth $13 to $14. Samuel thinks it's actually more like $18 to $20.

That's not unique, Samuel says: "Gas-finding incentives are now well in place with the passage of the Natural Gas Policy Act. So companies are looking for gas and finding it. For example, Apache Corp. had some major finds recently, and reported its proven oil and gas reserves have increased revenues by $20 a share." A portion of that will be added to its break-up value of $20, and yet Apache shares were recently selling for only $25.

Last issue in Psyching The Market, columnist Srully Blotnick pointed out that speculative-minded investors were getting itchy: The boys and girls were looking for a "story" to get excited about. They may finally have found one in oil-in-the-ground companies. If so, it matters not whether such stocks are fairly valued. They could well be to 1979 what gambling stocks were to 1978. ■



Peter Treves at work in his Florida home
Oil and gas are better than gold.

As good as gold?

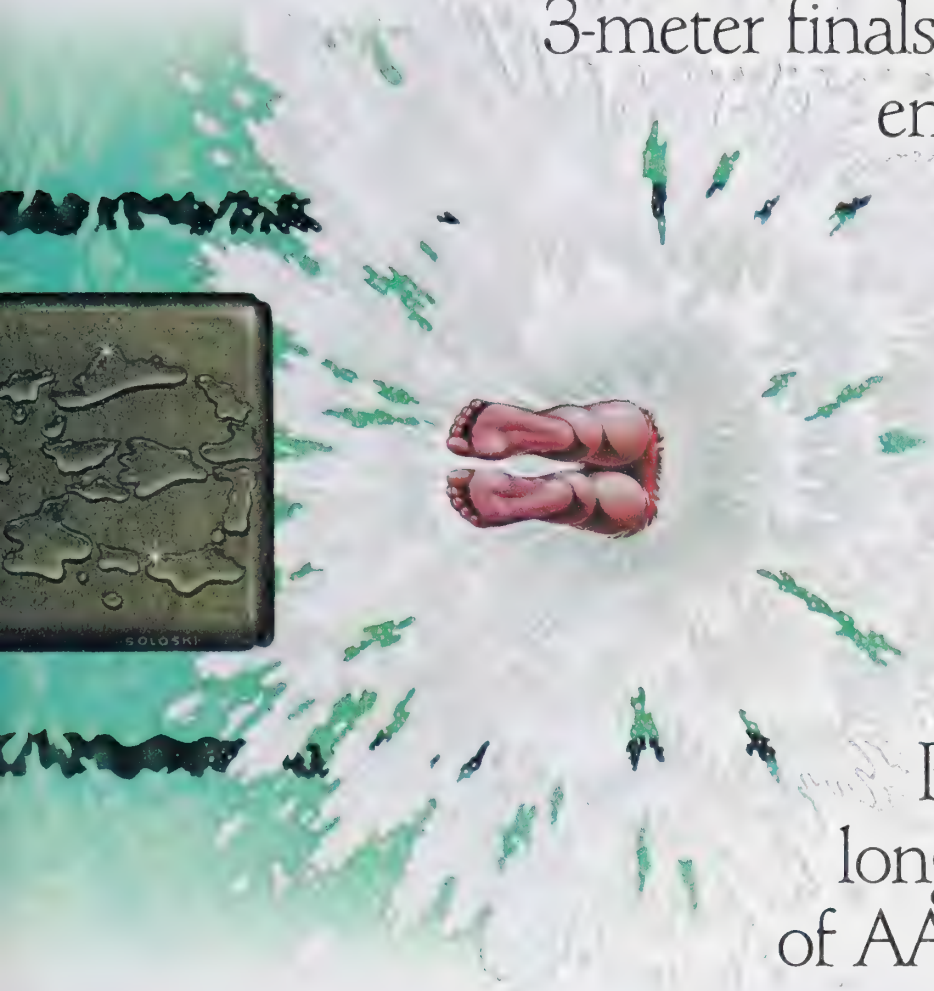
It's mighty comforting these days when a producing company has most of its oil and gas reserves in the ground in Nor America—as these 56 companies do. It's even more comforting when a company's stock is selling at or below appraised net wor and the producers' cash earnings are rising at a fairly rapid pace.

Total revenues (millions)	Reserves* oil† (mil bbls)	Reserves* gas† (bil cu ft)	Company	Market price per $1 appraised net worth	Appraised net worth*	Recent price	1977-79 price range	Price-to-cash earnings‡	Average annual increase cash earnings*‡	Curre yield
			U S producing							
$ 70	28	253	Hamilton Bros Petro	$ .38	$ 46.20	17½	26¼ – 13	3.0	31%	none
112	8	35	Barber Oil	.54	54.10	29	38¾ – 21¼	3.3	6§	5.5
27	5	147	Consolidated Oil & Gas	.55	20.10	11	12¼ – 5¼	12.2	24	none
545	155	2,421	Superior Oil	.59	614.95	361	364 – 180	3.9	21	.8
4	1	27	Premier Resources	.63	3.60	2¼	3⅛ – 1	4.9	21§	none
144	40	520	Pogo Producing	.63	24.35	15⅜	15⅞ – 10	3.8	63§	1.3
64	4	424	Forest Oil	.63	29.60	18¾	24 – 11⅞	3.4	19	4.3
30	9	97	Wiser Oil	.64	99.75	63½	71 – 43½	6.9	18	5.0
72	10	205	Inexco Oil	.64	27.15	17¾	29¾ – 11⅞	4.2	25	6
225	17	442	Mitchell Energy & Devel	.69	32.90	22⅝	25⅛ – 13⅞	3.5	39	
5	2	70	Barnwell Industries	.69	13.80	9½	13 – 6½	10.6	62	2.1
11	4	100	Amarex	.71	25.70	18⅛	24⅜ – 13¾	6.8	29§	none
21	3	48	Universal Resources	.72	22.35	16	18⅜ – 10⅛	3.4	30	2.0
167	56	1,785	Mesa Petroleum	.73	56.50	41¼	47 – 26⅛	5.5	20	1.2
326	29	578	Houston Oil & Minerals	.75	23.85	17⅞	42⅜ – 13½	2.6	97	4.5
184	106	1,065	Southland Royalty	.76	74.75	56½	58½ – 36	7.3	39	1.8
185	27	276	Dorchester Gas	.76	18.30	13⅞	14⅛ – 9⅜	4.1	34	none
443	111	698	Belco Petroleum	.77	37.90	29⅛	29½ – 15⅞	3.7	25	2.7
550	148	863	Louisiana Land & Expl	.78	34.25	26⅝	31¾ – 19½	4.0	16	4.8
13	1	26	Maynard Oil	.78	6.75	5¼	8½ – 3¼	4.5	49§	none
34	8	447	Supron Energy	.78	39.75	31⅛	33⅜ – 18¾	7.9	34	1.0
6	7	4	McFarland Energy	.79	5.85	4⅝	5 – 2⅞	7.1	28	none
76	23	272	Energy Reserves Group	.79	5.20	4⅛	4⅛ – 1⅞	4.9	24	none
55	23	192	Sabine	.80	43.00	34⅜	36⅞ – 21½	6.3	25	1.0
76	4	22	Texas American Oil	.81	6.80	5½	6½ – 2¾	3.0	50	none
22	1	47	NFC	.82	16.50	13½	19¼ – 9½	6.0	21	1.5
19	6	49	Patrick Petroleum	.85	13.80	11¾	19½ – 7	7.4	17	none
39	7	83	Petro-Lewis	.85	14.05	12	12¾ – 4	2.4	40	none
20	3	321	Great Basins Petroleum	.86	8.15	7	10⅛ – 4⅛	10.6	49	none
50	26	251	TransOcean Oil	.88	21.20	18¾	20¼ – 11	6.1	20	none
10	9	25	Equity Oil	.89	25.70	22¾	23½ – 12¾	10.1	25	3.5
127	84	591	General American Oil	.90	51.95	47	49½ – 23¾	7.9	15	1.5
126	12	270	Helmerich & Payne	.93	51.25	47⅞	50¼ – 29½	6.0	24	1.0
713	54	901	Texas Oil & Gas	.96	39.45	37⅞	38¼ – 22⅜	4.2	42	1.0
7	4	13	Callon Petroleum	.99	5.95	5⅞	6½ – 4⅛	8.0	60§	none
128	8	82	Texas International	.99	12.60	12½	13⅛ – 5⅝	4.9	21	none
8	4	57	Worldwide Energy	1.04	6.75	7	7⅞ – 3⅞	8.8	48§	none
96	1	101	Apache	1.26	19.65**	24¼	26½ – 10¼	5.1	15§	2.0
			U S producing/refining and transmission							
3,758	1,738	2,810	Getty	.56	80.80	45⅛	53 – 33	4.3	17	2.7
3,476	29	1,460	Coastal States Gas	.56	35.80	20⅛	24½ – 10⅝	2.4	17	1.5
1,217	145	103	Murphy Oil	.99	48.00	47½	57½ – 22⅝	4.0	13	2.1
			Canadian producing††							
21	2	384	Canadian Merrill	.44	42.40	18⅝	23½ – 12⅜	8.1	D-P	none
205	126	759	Home Oil	.52	102.00	53	53⅛ – 27¼	4.4	26	2.3
17	1	675	North Canadian Oils	.53	25.30	13⅜	14⅜ – 7¼	5.6	30	none
394	274	3,379	Hudson's Bay Oil & Gas	.63	97.55	61⅛	65 – 33⅝	5.1	22	3.3
229	188	2,171	Canadian Superior	.66	163.30	107¼	109 – 40¼	6.7	29	none
11	4	57	United Canso Oil & Gas	.74	13.50	10	12¼ – 6⅞	6.5	30	none
150	124	630	Aquitaine Canada	.76	36.85	28	28½ – 14	7.0	17	1.4
703	134	365	Husky Oil	.76	61.60	46⅜	53⅛ – 21⅝	4.7	22	2.1
9	10	840	Canadian Homestead	.84	18.80	15⅞	15⅞ – 5⅜	17.6	20	none
233	54	414	Bow Valley Industries	.90	30.25	27¼	27⅜ – 8	8.8	35	0.4
325	136	2,300	PanCanadian Petroleum	1.03	45.65	47⅛	47⅝ – 23¾	6.7	36	2.8
571	35	240	Total Petroleum NA	1.04	19.00‡‡	19¾	19¼ – 5⅞	7.3	21	1.0
			Miscellaneous							
2,963	113	760	Union Pacific	1.01	58.00[a]	58⅝	60¼ – 40⅞	5.7	12	3.9
304	1	66	Freeport Minerals	1.11	35.00[a]	39	39⅞ – 17⅞	10.1	19	4.1
2,273	230	—	Seagram Co Ltd	1.18	25.26[b]	29¾	30¾ – 19¼	5.4	11	3.7

* Excepting companies listed as "Miscellaneous," the data source is Oil Industry Comparative Appraisals, John S. Herold, Inc. † Oil: total oil condensa and gas liquids reserves. Gas: North American gas reserves ‡ Cash earnings: net income, depreciation and deferred taxes. § Less than seven years of da available ** Does not include recently announced findings †† Canadian funds. ‡‡ Estimate by A.G. Becker. [a] Oil and gas reserves only; estimates b Paine Webber Mitchell Hutchins. [b] Oil and gas reserves only; company data. D-P Deficit to profit.

It's a long way down to the top.

It starts with bellyflops and bruises. Over fifty practice dives a day. Every morning from age 7. And to get from the neighborhood pool to the 3-meter finals takes years of encouragement from coaches and parents and the Amateur Athletic Union. Phillips Petroleum is a long-time sponsor of AAU swimming.



And now we're getting behind AAU diving. Giving thousands of eager young athletes a chance for glory. Because it takes a lot of getting to the bottom to make it to the top.

AAU PHILLIPS 66

Boston is a graceful blend of tradition and innovation. Residents of the area are proud of its past and excited about its present. How does America's best-selling magazine meet their varied interests?

"I enjoy good writing."

Audio-visual consultant Fred Bauer's hobby is Marblehead, the picturesque village on Boston's North Shore. A member of the Planning Board, he also serves as drummer in Glover's Regiment, which bore the town's standards during the Revolutionary War. And TV Guide? "I like the interviews. As a writer, I enjoy good writing," he told us. **"The more people know about television, the more they can treat it intelligently.** When something is that powerful, you learn how to use it."

In New England, they've never taken things for granted. And television is no exception. In fact, their interest in knowing more about it has never been greater.

TV Guide holds a town meeting on that subject every week. For America's largest magazine audience—over 43 million adults. Our readers think television is too important to take at screen value

America reads

TV Guide® and the TV Guide logo are registered trademarks of Triangle Publications, Inc.

"Television plays a valuable role in augmenting the education process," notes Dr. James P. McIntyre, vice-president for university relations at Boston College. **"It's very useful to have TV Guide's insight,** particularly in this age of being bombarded by electronic media."

Lobster fisherman Jack Snow, his wife Lynda, and their two children live in nearby Salem. "TV Guide's unique—where else would you go?" says Lynda. "There's always something interesting to read. **It's not just a thing you pick up and put down."**

Ruth Morey was historic Lexington's first woman selectman. Currently publicity chairman of its Historical Society, she had this to say about TV Guide: **"There've been a couple of articles recently that were sufficiently critical to please me.** I like the critical articles, because they're critical and I'm critical, and I think I'm not alone in my thoughts."

On a swan boat in the Boston Public Garden, ballet dancer and teacher Annette Brown told us: "TV Guide fulfills a function. **It helps enlighten people.** It gives both sides to a story, and I think that keeps it balanced."

So they pay close attention to all that TV Guide has to say about it.

Advertisers want America to react to what they have to say, too. They want action from every ad dollar they spend. That's why so many are speaking out in TV Guide—America's liveliest marketplace.

Speak up. Sell to America in America's best selling magazine.

TV Guide.

TV GUIDE®
TRIANGLE PUBLICATIONS, INC

There's nothing old hat around an up-to-date firehouse.

It had a long run, the old familiar style in fire hats. The one taking over typifies a whole new generation of progress. Give a firefighter improved things to work with, and he can be a more effective guardian of life and property.

Some of the "improved things to work with" are municipal and industrial fire engines custom-built by FMC. Their latest engineering innovations provide greater safety for firefighters, and faster attack action at the scene of a fire.

FMC also manufactures the fire retardent chemicals, Kronitex® and Durad®. They are used to reduce the combustibility of many types of vinyls, and to prevent hydraulic fluids from flash-igniting in industrial use.

Tell us your needs. FMC serves worldwide markets for food, agricultural, and packaging machinery, agricultural chemicals, petroleum and fluid control equipment, systems engineering, construction and mining equipment. Write FMC Corporation, 200 East Randolph Drive, Chicago 60601. Or call 800-621-4500 (in Illinois: 312-861-5900).

FMC

ank Rooney, high priest of specialty retail-g, is rediscovering discounting—but as usu- he has an angle.

Melville Corp.: discounting with a difference

lle CEO Francis C. Rooney
Melville's most reluctant decision—and one of his best.

By Phyllis Berman

REMEMBER THE OLD DAYS when mother went from store to store to do her grocery shopping—to the butcher, the baker, the greengrocer? If you do remember you are either safely past 50 or were born in Europe. The supermarket now provides low-markup, convenient shopping and the specialty foodstore is today almost an anachronism.

But over the last decade specialty stores in nonfood retailing came back. The old-line department store has been steadily losing ground to boutiques. To compensate for this, even the department stores are breaking their businesses up into collections of small shops.

Listen to Francis C. Rooney, president and CEO of Melville Corp. and one of the smartest retailers in the U.S.:

"It's not what you sell or where you sell it," says Rooney, 57, a small, soft-spoken, dapper man in a pin-striped suit. "It's defining your business, and knowing your customer with your eyes closed—McDonald's is a great example of a specialty retailer.

"On the other hand, look at Chock Full O'Nuts. When they had the best damn cup of coffee and cheese-and-nut sandwich in town, they had a great business. Then they put in pie à la mode. Then soup. I walked by the other day and they've got this sign: 'We have the biggest hamburger in town.' Now, that's just losing sight of your business."

Melville, an old-line shoe retailer and manufacturer, has, under Rooney, developed specialty retailing to a fine art. And with exceptionally impressive results. With a five-year average return of 26.4% on shareholders' equity, Melville Corp. ranks with out-front companies like Petrie Stores, Wal-Mart and Edison Brothers in profitability (FORBES, *Jan. 8*). Its profitability has far outpaced that of the nonspecialty retailers—Sears, Penney's, Macy's, Federated Department Stores. It nets over 10% pretax in a business where half that figure is considered pretty fair. Its sales have grown close to 18% a year over the past half decade and totaled $1.7 billion last year.

Rooney did it by spinning off new store concepts from old ones, each new one clear, simple and sharply defined. First he turned Melville's utilitarian but unexciting shoe line, Thom McAn, into a high fashion, youth-oriented shoe chain. Then he opened Chess King, a string of 326 young men's fashion stores. Next came Foxmoor, a women's junior apparel store. Through acquisition he added other lines, some far afield, like the CVS drug chain. Each Melville store is located in a shopping center, but all are separate. Don't sell shoes and clothes under the same roof, Rooney preaches. Define your business, know your customer. Clarity of offer. People would

Shopping-center-based CVS Drugstores
It's not what you sell or where you sell it; it's defining your business.

rather buy trendy shoes in a trendy shoe store just as they prefer to eat their hamburgers in a hamburger store.

Is Rooney now breaking his own rules? In 1976 Melville acquired Marshalls, Inc., a largely northeastern chain that carries all kinds of name-brand clothing, and he has expanded it into a 55-unit, $260 million operation. Instead of piggybacking on shopping centers as Melville's other stores do, Marshalls are in 30,000-square-foot freestanding buildings.

But Rooney hasn't abandoned his successful formula; he has simply broadened it. Marshalls, too, has a clear image—not for product but for pricing. It's a place you go for bargains because it stocks only manufacturers' overruns, closeouts and end-of-season merchandise. A bargain store, in short. The people who go there may not know precisely what they are going to buy, but they do know they want to save money. And they do. For example, recently shoppers could have found Bergdorf Goodman suits for 50% off, the usual Marshalls discount.

It's a concept tailor-made for consumers who are made inflation-conscious every time they pick up their newspapers or turn on their TVs: Beat inflation by buying deflated merchandise.

It seems to work; in the three years since Marshalls was acquired its sales have more than doubled; in seven years they will be $1 billion, says Marshalls President Frank Brenton, who has just joined Melville from a catalog outfit.

This switch from the specialization policy that made Melville rich is Rooney's way of changing with the times, something he must do because his innovations of the Sixties are facing limits in the late Seventies. As the population levels off, suburban growth and shopping center development slow along with it. Only about 400 to 600 new U.S. shopping centers will open this year (*vs.* 1,230 in 1973), and some developers think available square footage will start to shrink as early as 1981. Melville, which has been opening 400 of its shopping-center-domiciled stores a year for the last five years, has been forced to pick up other stores' leases, or to open new facilities in expanded centers. But their freestanding Marshalls stores, low-rent converted supermarkets, will not be affected by this crunch.

Then, too, the old-line department stores that spent much of the Sixties worrying about catalog merchandisers finally discovered specialty retailing. Allied Stores picked up the Bonwit o ation from Genesco, for example, no Bonwit Teller alone but for Plymo Shops, Genesco's specialty operat which it plans eventually to expand tionwide. Woolworth is developing specialty retail operations; Dayton H son acquired California's Mervyn's.

To convince you that Melville is really changing its basics, tho Rooney refers to his latest ventur "specialty discounting"—emphasis "specialty." He is not just hairsplitti

Rooney's Bostonian father owne sole and heel factory, and young Fr came to Melville as a shoe designe 1953 and worked his way up to pr dent. When founder Ward Melville tired in 1964, he was so reluctant to his company over to a *stylist* that he in viewed seven outside candidates.

In the end the old man reluctantly cluded that Rooney was indeed the choice. It was a lucky decision becau was precisely Frank Rooney's awaren of fashion that made Melville what today—a leader in specialty retai that, in a very broad sense, is noth more than a throwback to the shopk ing that prevailed a century ago, be the days of mass distribution. ■

See your Home Key Agent or Broker

Wells Fargo means security to America.

The Home Insurance Company means security to Wells Fargo.

American business turns to The Home for innovative, dependable protection.

The Home Group, Inc.

A City Investing Company

The Home Insurance Company • The Home Indemnity Company

NEWS

WESTERN COMMERCE IS ESTABLISHING MORE TIES WITH CHINA A PAN AM JUMBO JET MADE A TEST FLIGHT TO CANTON TODAY TO PAVE THE WAY FOR SCHEDULED AIR SERVICE TO THE UNITED STATES, AND THE FIRST TRAINLOAD OF COCA COLA IS SCHEDULED TO ROLL INTO THE PEOPLES REPUBLIC TOMORROW

SPORTS

ONETIME SLUGGER WILLIE MAYS HAS BEEN VOTED INTO BASEBALL'S HALL-OF-FAME AT COOPERSTOWN, NEW YORK MAYS HAD A CAREER 302 BATTING AVERAGE AND HIT 670 HOMERS HE WAS THE ONLY ONE ELECTED BY THE BASEBALL WRITERS

MARKET

NYSE VOLUME	24,380,000 SHARES
STOCKS UP	826
STOCKS DOWN	553
AMEX VOLUME	2,750,000 SHARES
STOCKS UP	294
STOCKS DOWN	216

CURRENCY

NEW YORK FOREIGN EXCHANGE

		TUESDAY	WEDNESDAY
BELGIUM	FRANC	034300	034400
BRITAIN	POUND	1 9990	1 9997
CANADA	DOLLAR	8417	8402
FRANCE	FRANC	2356	2364
HOLLAND	GUILDER	5012	5028
ISRAEL	POUND	0525	0525
ITALY	LIRA	001197	001198
JAPAN	YEN	005055	005053
MEXICO	PESO	0441	0441
NORWAY	KRONE	1968	1969
SPAIN	PESETA A	0143	0143
SPAIN	PESETA B	0144	0144
SWEDEN	KRONA	2292	2300
SWITZERLAND	FRANC	5952	5981
WEST GERMANY	MARK	5408	5424

SPECIAL

(WASHINGTON)—PRESIDENT CARTER TODAY RENEWS HIS REQUEST FOR A NEW DEPARTMENT OF EDUCATION, IN GIVING CONGRESS AN EXPANDED LOOK AT HIS NATIONAL GOALS .

"I WILL AGAIN PROPOSE TO CONGRESS THAT A CABINET-LEVEL DEPARTMENT OF EDUCATION BE CREATED," SAYS CARTER'S MESSAGE, PORTIONS OF WHICH WERE READ TO 130 MEMBERS OF THE "AD HOC COMMITTEE FOR EDUCATION," WHICH MET WITH WHITE HOUSE OFFICALS WEDNESDAY. . .

News
Latest loca
and national bulletin

Sports
News and score
of major team

Stocks
Prices on NYSE
AMEX and OTC stock
(Trade data age
over 15 minutes

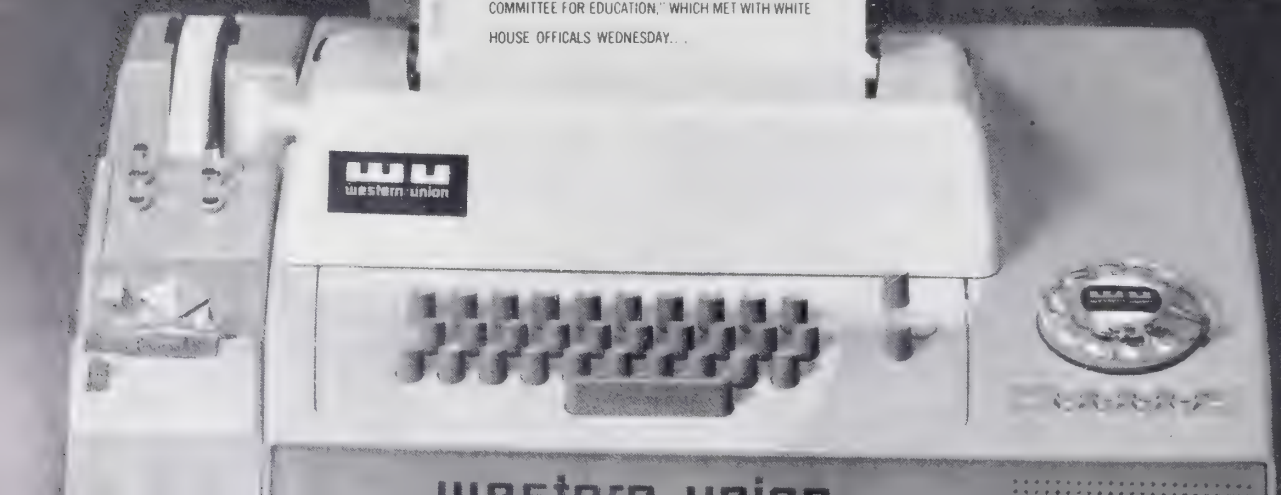
Market
Stock market average
and commentary

Currency
Foreign exchange an
domestic money rate

Special
Top news storie
of the da

Weather
Two-day forecas
for 20 major citie

Finance
Business bulletin



There's a ticker in your Telex.

War breaks out in a foreign country. The President schedules a press conference. A world leader falls ill. The market jumps.

It's news. Important news. News that could affect you. Or your business.

Now, you can keep up with stock prices and late-breaking news. With your Western Union Telex/TWX® terminal. FYI News Service takes it from there.

You receive updated news from major news services.

United Press International and other major news-gathering organizations provide these bulletins and summaries. They range from national and international business, financial and market news to stock and commodity prices and sports results.

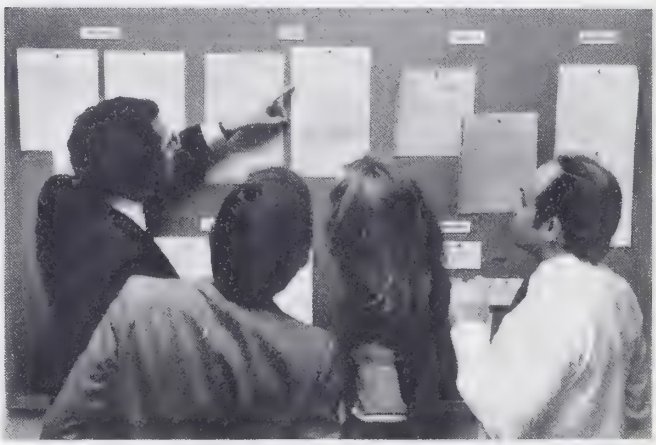
It's easy to hook into our news beat any business day. Simply dial 8513 on your Telex. Or 710-988-5956 on your TWX® (910-221-2115 in Chicago and West). Then type the category you want.

News, sports and business bulletins are updated regularly through the day.

There's no special charge for our FYI News Service. You pay only when you use it. Or, subscribe to the service and we'll deliver reports automatically.

FYI News Service has many uses.

You can route these news bulletins to company executives. Visitors can glance at



Employees check bulletin board for late-breaking news and sports—thanks to Western Union's FYI News Service.

stock market activity as they wait in reception areas. And employees can check bulletin boards for the latest news and weather.

Western Union: The fastest way to get the word around.

With our Westar® satellites in orbit, and a broad range of services here on Earth, Western Union is the fastest way to get the word around.

FB

Boyd Humphrey, Western Union,
One Lake Street, Upper Saddle River, N.J. 07458.

Send me more information on Western Union's FYI News Service.

Name _____

Company _____

Address _____

City & State _____ Zip _____

western union

WESTERN UNION CORPORATION 1979

Report from Number One Wall Street

The Irving tie to the Winter Olympics.

The official bank.

When the XIII Olympic Winter Games come to Lake Placid in 1980, Irving will be there as the official bank. It's an international banking role for which Irving has ample credentials.

We do business in more than 120 countries where we are banker to major commercial banks, central banks, governments and leading corporations.

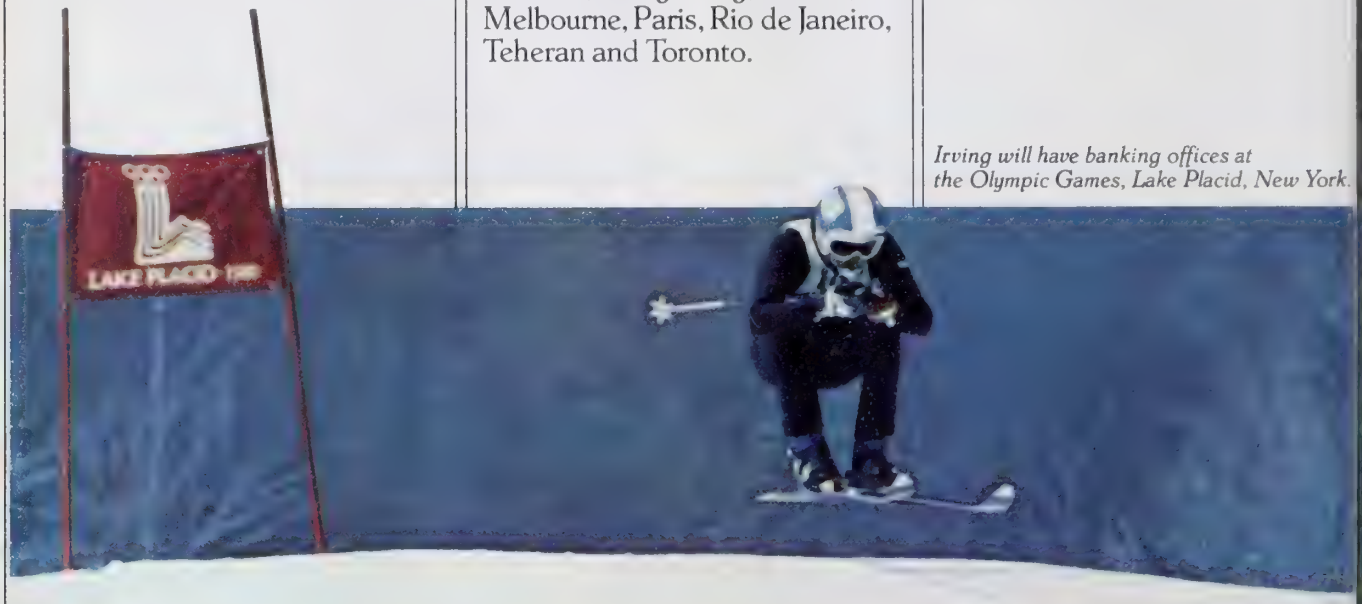
Irving international specialists handle trade, project and syndicated financing on a worldwide scale. And we provide lines of credit, advances, acceptances and both short- and medium-term financing in all major foreign currencies.

Our overseas expansion continues.

Milan is the home of our newest fully staffed branch office. It adds another key financial center to our international network which includes branch offices in London, Frankfurt, Milan, Tokyo, Taipei, Singapore and Grand Cayman. Plus representative offices in Beirut, Buenos Aires, Caracas, Hong Kong, Manila, Melbourne, Paris, Rio de Janeiro, Teheran and Toronto.

In other words, in addition to our strong U.S. banking position, Irving is a major factor on the international banking scene.

Banking, personal style. Just as we're getting ready to serve an international gathering at Lake Placid, we're ready to serve customers anywhere in the world. You'll find that our style is very personal: personal commitment and personal attention. We think that's unique. Perhaps you will, too.



Irving will have banking offices at the Olympic Games, Lake Placid, New York.

Irving Trust Company. Unique. Worldwide

A CHARTER NEW YORK BANK

THE OFFICIAL BANK OF THE 1980 OLYMPIC WINTER GAMES.

MEMBER F.D.

estment genius Warren Buffett knows a od thing when he sees one but so does Matty roun. This time Matty got there first.

Matty Moroun plays to win

By Allan Sloan

SST, BUDDY, wanna buy a bridge?

That line will get you a lot of funny looks in New York, but no laughing in Detroit, where a local ing tycoon is in the midst of buying cal toll bridge.

at's more, he's going to make a e on the deal because of quirks in ax laws and the joy of leveraged g.

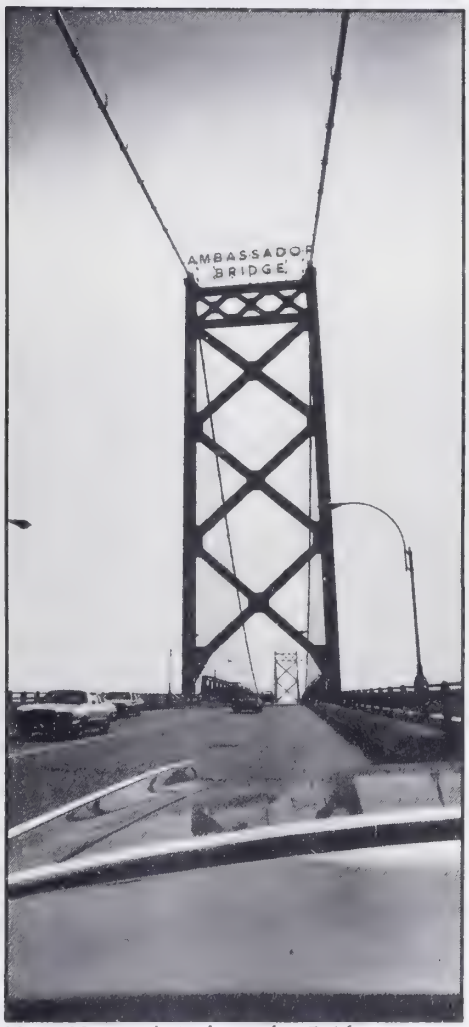
en the last paper has been shuffled, anies owned or controlled by the sive Manuel J. (Matty) Moroun will paid something over $30 million to he Ambassador Bridge, which spans etroit River and connects the Mo- ty with Windsor, Ontario.

e bridge is unusual—the only stock- r-owned international toll bridge of onsequence left in the U.S. It's still holder-owned because the Canadi- vernment, which takes the bridge eriously, has fouled up any number empts by private investors to buy oroun, however, seems to have a way around that.

e bridge's competition is another ge animal—the nation's only sig- nt stockholder-owned tunnel, runs under the Detroit River and ned by the Detroit & Canada Tun- orp.)

winning the great Detroit bridge Moroun will have bested one of ation's premier investors, Warren t's Blue Chip Stamps, which also for the bridge. Blue Chip's Wesco cial Corp. subsidiary tendered for it International Bridge Co. at $20 e 1977, but Moroun subverted the r by buying heavily on the open et and forcing the price of bridge any shares as high as $24.

he process, Moroun got his hands ey blocks, including the 63,000 s (5%) owned by Philip Carret's er Fund, which had owned the for decades at an average cost of



Matty Moroun's Ambassador Bridge
With any luck, a neat inflation hedge.

$7. Carret himself tendered some personal holdings to Buffett, but fiduciary duty is fiduciary and Pioneer Fund's shares went to Moroun at higher prices on the open market.

By Dec. 31 of last year, Buffett's Blue Chip and affiliated companies had garnered 315,800 shares (24.9%), including stock it had bought in private deals before making its tender offer. Moroun was up to 311,675 shares (24.6%).

Last month Buffett threw in the sponge, selling his bridge stock to a Canadian corporation financed by Moroun for $24 and getting Moroun to agree in writing to buy out the remaining shareholders at $24 or $25. Buffett and his friends are not exactly suffering; they recorded an aftertax gain of well over $1 million. Still, nobody likes to lose even when he gains in the process.

The secret to Moroun's being able to offer such a high price is that the bridge is worth more to a private individual than it is to a publicly owned company that reports earnings. Here's why:

The bridge is being depreciated at just $22,600 a year because its tax basis was set at $2.6 million in 1939, the year the bridge company emerged from bankruptcy. The low depreciation charge helps Detroit International Bridge's earnings, but its net cash flow suffers.

Moroun isn't talking, but his SEC filings show clearly what he's up to. If Moroun can put a tax basis of $30 million on the bridge and depreciate it over 25 years—which his lawyers say he plans to do—that produces straight-line depreciation of $1.2 million a year.

Then look at cash flow. In 1977, its last normal year—there was a toll collectors' strike in 1978—the bridge produced a pretax cash flow of $4.7 million.

Moroun has about $6 million in cash and is borrowing $25 million from the Toronto-Dominion Bank to finance the deal. Some $3 million is due Dec. 31, and Moroun can take that from the bridge company's cash on hand. The rest of the loan is due in blended interest and principal installments of $3.3 million annually for eight years, with the remainder to be repaid in four further years. Subtracting the loan payments from the bridge's cash flow leaves $1.4 million, most of it offset by depreciation. So Moroun stands to make a hefty profit. With any luck he should have his $6 million back in five years or less and end up in ten years or so owning the bridge absolutely free and clear. A nice way to beat inflation!

Who is Matty Moroun, and how did he get so smart and so rich? Not many people in Detroit know, and those who do aren't telling. All that's known is that Moroun's name is pronounced maroon, like the color, and that his Central Cartage Co., based in the Detroit suburb of Sterling Heights, Mich., does a volume of $150 million to $200 million a year. He and his family own the whole thing.

Moroun himself is 47, and the son of T.J. Moroun, said to be a patriarch of Lebanese origin.

If Matty Moroun offers to sell you a bridge someday, it might be a good idea to listen. But Moroun seems to like buying better than selling, especially when he has leverage and the tax laws working for him. ■

A seasoned growth company, like Pall Corp., is one that can come up with repeated innovations—no matter how tough it gets.

The breakthrough point

The Up-And-Comers

Pall Corp. President Abraham Krasnoff
Those who were paying attention could see that things were changing.

WHAT HAPPENS to a smallish company in a high-technology industry when the market for its main product line suddenly collapses? It must innovate again, of course, but how, when the cash flow to support the research effort dries up? Remember all those companies with "on" at the end of their names that strutted briefly across the stage and then disappeared?

This is when most of the companies that brokers have been calling "the next Xerox" get acquired by larger corporations or sink into obscurity, contenting themselves with a slow-growing, low-profit specialty business. Transitron, Technicare, International Rectifiers and the old Scientific Data Systems went this route. Rare indeed is the small company that emerges from that first big setback with yet another breakthrough innovation, more successful than its predecessors. This is the company with genuine technical excellence. It has passed the critical test for long-term survival.

Pall Corp. of Glen Cove, N.Y. has met the test. A producer of fine filters for the aircraft, electronics, chemical and pharmaceutical industries, it has sales of $88 million and a return on equity that has averaged 22.3% over the past five years (on a par with International Flavors and Fragrances and Philip Morris). Its earnings growth rate since 1974 puts it in the same league as Levi Strauss and Sch berger. By last year, when the com earned 29.3% on equity, long-term had been cut back from nearly 42 capital in 1973 to under 6% of ca and the stock had climbed from 2½ recent high of 32⅜—a fancy 14 1978 earnings.

Yet as recently as 1972 little Pall looked like it might not be long fo world. For eight long years in the l ing middle and late Sixties its ear had been barely marginal. For custo its narrow product line had mainl then-depressed aircraft industry. I leveraged itself to the hilt to ente high-technology fiberglass bus against far larger competitors Owens-Corning. Its modest divers tion attempts had failed. Its sales only $26.5 million, its pretax p $600,000. The future looked bleak. but by no means unusual fate for a fo glamour stock that had sold for 60 t earnings in the Sixties.

"People may have said 'Here's a pany in trouble' back then, but who were paying attention could se product mix changing," says Pall I dent and Chief Executive Abraham noff, sounding like the accountan once was. "We were heavily deper on the aircraft industry and that bus suddenly fell off in 1964, both com cial and military. We made mistak that point—mistakes of desperation said we know the aircraft industry, s acquired an airborne air-conditio and heat-exchange business that Co. was trying to get rid of. We know process industries, so we found a y line of sophisticated, difficult-to-m pumps." "Synergy" it was called t Synergy turned out to be no solu "We did terribly in both of those thin Krasnoff continues. "We were goin in apparently logical directions, bu didn't succeed in either. We just cou solve the marketing or technical p lems well enough to make money."

In hindsight the reason is clear. Corp. was trying to do too much. scientific brains of the company tered on founder and still-Chairman 64) David Pall, a doctor of physical ch istry. Pall was busy trying to devel new line of disposable filters. He ha time for the new ventures. "Had we we're going to turn Dr. Pall and every else into the pump business, I guess would have succeeded in mak pumps," observes Krasnoff, who has tained his layman's sense of wonde scientific innovation.

The company was an offshoot of search done for the Manhattan Proj Dr. Pall, who had worked on the proj had devised a way of taking stainl steel powder, heating it to just below melting point in wide trays, and then creating a seemingly ordinary steel sh

The power of technology
is the power to create.
Creating the
Pratt & Whitney Aircraft engines
that are frugal with fuel
is one way
we're using ours.
UNITED
TECHNOLOGIES.
Pratt & Whitney Aircraft Group • Otis Group
Essex Group • Hamilton Standard
Sikorsky Aircraft • Power Systems
Chemical Systems • Norden Systems
United Technologies Research Center
United Technologies Corporation,
Hartford, Conn. 06101.

May you live every day of your life.

Jonathan Swift

Four Seasons-Clift Hotel
SAN FRANCISCO
Geary and Taylor Streets

Call your Travel Agent
or in New York State
Toll-Free 800-462-1150
Elsewhere in Continental
U.S. 800-828-1188

We Welcome
American Express Cards.

AMERICAN EXPRESS

sufficiently permeable to act as a precise filter for corrosive chemicals under high pressure or exceedingly hot. It was a small market—about $1 million a year for Pall—but prosperous enough to enable the founder to turn his attention to developing fine woven wire cloth filters to protect the hydraulic systems of jet aircraft from malfunctions caused by microscopic impurities. The dawn of the Jet Age gave Pall Corp. a mighty boost and by 1963 it was doing $14.8 million. But while Dr. Pall was working on finding ways to develop disposable filters for even larger markets than jet aircraft, Pall Corp. was technologically leapfrogged by competitors in the original business, porous metal filters.

"When we decided that our thrust had to go in the direction of disposables we had really stopped doing development

"First," says Pall Corp. President Krasnoff, "if you're going to get along with a genius, you have to have some of the attributes of a chameleon, and some of an antelope."

work on porous metals," Krasnoff concedes. "We didn't have the time or talent to do both. We had to make a choice. So other people came along and made filters of metal fibers." The troubles multiplied. The development work was encountering serious problems, too.

Pall had started making disposable filters out of fiberglass. Shortly thereafter Pall filters began falling apart in the field and it turned out that their supplier, Owens-Corning, had changed the nature of the resin in the fiberglass. O-C turned a deaf ear to Pall's pleas that it make fiberglass the old way. "Brashly, we decided at that point that, if we couldn't get these people to do what we wanted, we'd do it ourselves," Krasnoff recalls, "much to the horror of Owens-Corning and St. Gobain, who threatened us with all sorts of mayhem if we manufactured fiberglass ourselves." So Pall built its own small but economic fiberglass plant, selling off the excess production as building insulation and even introducing new technology into the process. But that wasn't the solution, either.

In time, Dr. Pall and his researchers decided that disposable filters could best be made, not of fiberglass, but rather of a new paper, bonded with nonpolluting epoxy resins and then covered with a slurry of fine fibers. So fine are the pores of such filters (down to a half-micron in pore size, a micron being so small it takes 40 of them to be just barely perceptible by the naked eye) that they are used for bacteria removal in the pharmaceutical industry and to make "ultimate water"—the nearly 100% pure water needed to clean integrated circuit chips i electronic industry. However, it w until 1969—after nine years of eff that Pall Corp. finished designing i vative disposable filters, the new ma al that they would be made of an machinery to make them, built plants and set up a new distribution tem. That did it. It was the breakthr needed to get Pall Corp. moving a Pall's sales, which had stagnate around $26 million, suddenly jump $32 million in 1973 and have been i ing up at a lively pace ever since.

Why did Pall Corp. make it throug these vicissitudes to the breakthr point that has stopped so many promising companies? Because it r occurred to Dr. Pall and his fello searchers to do anything other tha to develop a better filter, no matter it took.

Krasnoff, who first came to Pall C in 1951 as a fledgling C.P.A. to t straighten out his brilliant neigh books, says he's learned a few th about how to develop a successful h technology company. "First," he "if you're going to get along with nius, you have to have some of the butes of a chameleon—and some o attributes of an antelope."

He's learned how to get the cri financing from banks and insur companies. "Your ability to show cl a plan of what's going to happen for s years in the future gets to be very, important," he says. So, Krasnoff came a salesman, selling the future t money people.

Another thing he feels he's learne how to manage an effective researc fort. You listen to all suggestions says, and then pass on them in a c mittee that comprises all corporate f tions: financial, marketing, enginee as well as technical. The same old ons keep coming back year after yea says, but that's a small price to pa the successes. "Every three or four y a new generation of research guys co up with the same filter idea for a market: a filter to solve the Navy's p lem of oil/water separator filter life. thing is a fiberglass tube. So it ough be easy. But it isn't. We've looked for 25 years and it can't be solved."

A happy ending at last? Not q What Krasnoff is not quite sure learned how to do is to replace hi and Dr. Pall and his top scientists—n of whom are in their late 50s or early "At some time over the next ten y we are going to lose probably the three minds in the filter industry," says. "That's something we have t concerned about."

In a way that's a good sign: Kras seems to have it made, but he's worrying. It's when you think that n ing can go wrong that something doe

A few years ago, we helped her see in the dark. With this, we can help thousands.

A few years ago, thousands of people suffering with a certain kind of night blindness finally had a glimmer of hope.

All of these people—suffering from the early stages of a hereditary disease called retinitis pigmentosa—were introduced to some special binoculars that let them see in the dark.

Trouble was, these night-piercing binoculars were rather bulky. And too expensive for most family budgets.

Well now, there's a less expensive pocket-sized model.

And this too was created by the people of ITT, with the Army Night Vision Laboratory and the Retinitis Pigmentosa Foundation.

Like the binoculars, the new device contains complex electronic circuitry that amplifies the available light, so it's visible to many retinitis pigmentosa sufferers.

They can see well enough to walk at night by themselves, without anybody's help.

And as for price, we're selling this device at just what it costs to make.

Not that it's exactly cheap. But to someone who needs one, it can be priceless.

The best ideas are the ideas that help people. ITT

you'd like to help, send your contribution to National Retinitis Pigmentosa Foundation, 8331 Mindale Circle, Baltimore, Md. 21207

© 1978 International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y. 10022

Roy Ash is putting all his talent to work trying to turn stodgy Addressograph-Multigraph into sleek AM International. But is it enough?

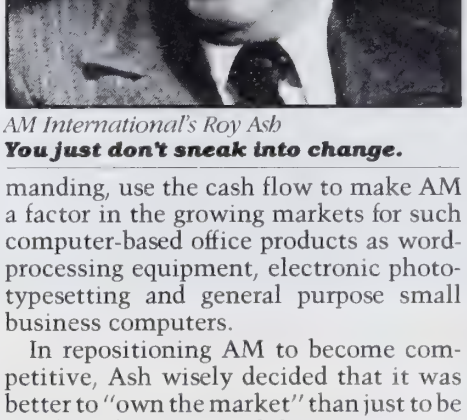
Up from the ashes

This company has been paddling around in a nice, comfortable Lake Mead, but now we've entered the Colorado River going with the current, and we've sure got to paddle fast. You need much more power-on sort of management, you just can't coast with the momentum. Every day, it's more power on. You'll go a lot farther, but you have to paddle harder.

THAT'S VINTAGE Roy Ash. To anyone who has followed Ash's career—cofounder of Litton Industries, two years in Washington as Nixon's and Ford's director of the Office of Management & Budget—such messianic zeal is familiar. These days, however, he isn't practicing his "power-on" wizardry on a high-flying conglomerate or a federal budget, but on Addressograph-Multigraph Corp., the 87-year-old maker of office equipment. His announced goal, however, is still pure Ash: nothing short of total corporate rejuvenation that will turn Addressograph-Multigraph, now renamed AM International, from a tradition-bound maker of copiers and duplicators into a fast-moving, high-technology outfit able to stand up to giants like Xerox, Eastman Kodak and IBM.

Ash has had two and a half years now to do what he frequently calls "changing the corporate culture" at AM. While he seems to be doing all the right things, the results so far are at best mixed. In fiscal 1977, ending July 31, AM reported a loss of $14 million resulting from writeoffs and reorganization, as Ash began stripping the company of its losing operations and corporate fat. Earnings recovered in 1978 to $21 million on $667 million sales, but dropped unexpectedly 13% in this year's second quarter. For the full year, earnings are estimated at $2.65 a share, only slightly up from the $2.54 earned in 1978.

Ash's strategy, when he became chairman and chief executive of AM in 1976, was twofold: Cut your losses and, since old Addressograph-Multigraph was short on the winners the marketplace was demanding, use the cash flow to make AM a factor in the growing markets for such computer-based office products as word-processing equipment, electronic phototypesetting and general purpose small business computers.



AM International's Roy Ash
You just don't sneak into change.

In repositioning AM to become competitive, Ash wisely decided that it was better to "own the market" than just to be another player, even if that meant competing in a small arena. "Business is creating niches," he says flatly. "Our objective is at any one time to be playing 10 or 20 games." But there are also other players in those games, many better-heeled than is. In word-processing (typewriter systems that permit the editing and storing of text) AM has only just introduced its product into a market dominated by Wang, Lanier, IBM and Exxon's Vydec division, with giant Texas Instruments expected to enter. Moreover, AM's word-processing products, introduced in 1977, have met with only so-so success. Although AM's new phototypesetting Comp/Edit system has been selling very well, AM's share of the total composition market is only 9%, and it faces competition from established products made by IBM, Eltra (Mergenthaler) and Compugraphic.

Life under Ash has not been easy. AM management that survives will you. To handle day-to-day operat Ash tapped James Mellor, an execu vice president at Litton (and an engi which Ash is not). Together they ph out the company's copier line, lea AM with no product in this ma Electronic funds-transfer termi which had become outdated, also w AM's much heralded 9000 lithogra copier also felt the ax, much to the tress of sales managers. The R&D partment was hit hard when Ash Mellor decided that an offset duplica system, five years in developm would cost twice the $10 million alr invested, and would still be no b than products already on the shelves

Assembly operations at the compa mammoth Cleveland plant were m to lower-cost plants, and Ash is looking for a buyer for that prop Headquarters staff was cut, and then again when Ash decided to move company to Los Angeles (across street from Ash's own office after he Washington). More heads rolled as wiped out AM's international divi and put both foreign and domestic s in the hands of product managers. last fall Ash reorganized the compa 12,000 people in the field so that the electronic products coming from will be handled by sales managers trai in selling computer-based products.

This reorganization, the company mits, was behind its second-qua slump. Ash agrees that the effect "traumatic, more than we anticipa People don't like to have their ca aspirations affected. But we absolu had to do it." Ash is acutely aware, m over, that continuing problems in company's basic duplicating busi will affect his whole corporate strat "We've got to keep making sure that cash-generating business isn't so versely affected by the organizatio change that it doesn't play its par paying the cost of our new products," worries. Warren Beck, an analyst w John Muir & Co, estimates that AM spending more than $1.40 a share new products, spending that won't sh up in earnings until at least 1980.

Despite these problems, Ash rema the optimist. "Many companies, in st ping down the company, exchange problem for another," he says. "T write off all of their assets and have many things written down that the n question is whether the balance sh will support the necessary liquidity t from there. We had all of our proble taken care of at the cost of just sligh less than one year's earnings." Even AM's return on equity in 1978, a g year, was only around 10%, well bel Pitney-Bowes' 20% or Xerox' 18%.

Using the cash thrown off by A

How to save up to 97% of the cost the next time you rearrange your office.

ll you need is the Westinghouse Open ffice System.

The traditional office wasn't esigned for change. So what happens hen you have to add people or equip-ent or make organizational changes? u have to move "permanent" walls, cut carpet, rearrange overhead lighting, wire, and reroute heating, ventilating d air-conditioning ductwork.

And pay from $6 to $25 per square ot to do it all.

/ith the Westinghouse Open Office, ou can do the same job for less than 5¢ per square foot.

And do it faster, with minimum sruption. No need to tear down walls; ou simply rearrange panels. And no eed to move heating, ventilating and r-conditioning ductwork.

Lights? Westinghouse Open Office Lighting isn't attached to the building; it's part of the system. Since you don't have to rewire, rearranging lighting can be done quickly and easily.

As your business changes or grows, you need an office that can keep pace.

It's flexibility like this that can make your business more productive by saving you time.

And more profitable by saving you money.

For detailed information, write Westinghouse Architectural Systems Division, 4300 36th Street, S.E., Grand Rapids MI 49508. Or call toll-free **(800) 821-7700.** In Missouri, (800) 892-7655. In Canada, call collect (416) 362-7796. In Geneva, Telex Westeast 27871.

Westinghouse ASD Open Office System

Making more people more productive in less space at lower cost.

SMALL'S
AUTO REPAIR

CLOTHES BY
H. MIDDLEMAN

BIGG'S ENTERPRISES

We don't eliminate the middleman.

Ahhh, pity the poor middleman.

Too small for a large duplicator. Too large for a small copier.

And not many copier companies offering him a lot of choices in between.

To Xerox, however, the middleman is not a forgotten man.

In addition to small copiers for the Mr. Smalls and high volume duplicators for the Mr. Biggs, we offer a selection of medium-size copiers just right for Mr. Middleman.

Copiers that print from computer fanfolds. Ones that reduce. Ones that copy from large originals.

Our 5400 even gives you a document feeder, two-sided copying and automatic sorting without resorting to a copier twice its size.

So now, being a middleman doesn't mean you have to settle for a copier company willing to meet you only halfway.

XEROX

Xerox is the Official Supplier of Copier/Duplicator and Facsimile Equipment to the 1980 Olympic Winter Games.

XEROX® and 5400 are trademarks of XEROX CORPORATION.

Call OPPD.
Ask for Tom Gage.

He'll deliver coal and nuclear generated energy to your new site.

Tom Gage is Omaha Public Power District's industrial development expert. He can show you that Omaha-Southeastern Nebraska is loaded with dependable electric power produced by western coal and nuclear fuel. OPPD's Fort Calhoun nuclear plant produced 51 per cent of the electricity used by District customers in 1978. In addition, another coal-fired unit will be in operation in 1979. This combination of present capacity and planned additions will ensure OPPD customers an adequate supply of electric power at reasonable rates. If you want specific answers to specific questions, give Tom a call at (402) 536-4347.

Omaha Public Power District
Member: Mid-Continent Area Power Pool

(Complete or attach business card) 2-4

Tom Gage, Manager of Area Development
Omaha Public Power District
1623 Harney St.
Omaha, Nebraska 68102

Please send me free facts on Omaha-Southeastern Nebraska.

Name
Title
Company
Address
City
State Zip

basic duplicating businesses (which still account for 44% of sales) Ash has been making acquisitions to fill AM's empty R&D pipeline. He has made six small ones over the last 18 months, predominantly in electronics and computer-related areas. But the big one—a $47 million offer for minicomputer maker Microdata—failed when a group of Microdata shareholders objected.

In addition, Ash is aggressively going after the so-called "quick print" market (those small shops where people come in off the street to have copying done) which has been growing 50% a year in machine placements. In the past, AM had concentrated on selling to large companies for in-house use, and gave this market away to competitors like AB Dick. Nor did the company take advantage of the market it created for supplies like paper or ink for its own duplicators; even today it gets only 35%. "This company was wedded to machines," says Alan Easton, vice president for communications. "Salesmen were rewarded more for selling machines than for supplies, but supplies are substantially more profitable."

Addressograph-Multigraph also largely ignored the rental business, Easton goes on, because its balance sheet was too weak to support rentals. Now, however, AM offers rentals to get products, particularly the new electronic products, through the door to the customer, offering attractive rental rates and applying a large percentage of that rental toward purchase. It has also set up its own off-balance-sheet leasing company to give the company more flexibility in leasing. Last year AM Leasing Corp. grew from $4 million to $40 million, and Easton thinks the figure will double this year.

In keeping with his philosophy of "niches," Ash is concentrating on selling phototypesetting equipment to small publishers, commercial printers and in-plant users. He is also expanding the company's micrographics division, where AM microfiche duplicators hold 80% of the market. In February AM was selected by Satellite Business Systems, the partnership among COMSAT General, IBM and Aetna Life & Casualty, to produce a high-speed computerized copier system to send copies via satellite.

But turning around a $600 million-plus corporation isn't easy, even for a man who prides himself on being able to turn anything around. What Ash found, when he decided to leave managing his investment portfolio (and attempting to write a book about the Presidency), had defeated two previous CEOs since the late 1960s. AM was a company which had gained industry leadership for its products and then never argued with success even while that leadership slipped away. Its stock, which had sold as high as $85 in 1969, was selling at around $9 when Ash came in. Return on stockholders' equity,

Old Cleveland plant; computer editor ***"The steps are right in front of yo***

which had been at 15% in 1968, plunged to 5%. Worse, its dominan its basic offset duplicating business being eaten away by the advanced tronic copier/duplicators from the of Xerox and IBM, while AM's mach were clanking, hard-to-operate, chanical throwbacks to earlier time

Ash is only too happy to tell you AM is a challenge—and that he is ha a great time: "It has to be fun bec your limit is only your own imagina and your ability to execute your idea hate to be in the chewing-gum busi because you can probably calculate total market and try to take it away somebody else, because you're not a to educate too many more peopl chew gum." But the company's litera makes it clear that it will not dis certain things—such as how well vidual products are doing—so fr though that may change if Ash's products catch on. Today 99% of operating profits still come from nesses it was in before Ash arrived.

Ash still insists that he regards hi at AM as that of a man mindin investment. He bought 300,000 n issued shares of AM on the day he came chairman, at $9 apiece. That million is now worth $6 million or per, so shareholders who stuck with have nothing to complain about. "W far from achieving any objectives," mits Ash. "We've just moved within last year or so from planning for it wi little bit of doing to a substantial amo of doing. We've now entered the Col do River and our job is to be fast dlers." What Ash has at AM is all fast paddler could wish for—or stand

WE RAN INTO A RUGGED ONE IN MEXICO.

The problem was a hard-nosed one caused by the devaluation of the peso in 1976. A very large retailer of household goods and clothing in Mexico found itself particularly hard hit – since all their assets were in pesos, while their liabilities were in dollars. Result: a devastating foreign-exchange loss of more than $60 million!

Bank of Boston quickly offered a helping hand. Together with a team of other involved banks, our international specialists worked out a financial restructuring for the company, including improved debt servicing. Not only did this assure them of being protected against another devaluation – they became more financially sound than ever, and are on firm ground today.

We're the bank that specializes in this kind of helpful, swift, and creative decision-making. Tough, international financing problems are right down our alley, and we have 10,000 people around the world to tackle them.

Bank of Boston is one of the leading banks in the world with strong facilities in 40 countries (and more than $2.0 billion currently committed to overseas lending). And in the U.S. we have full-service facilities (Bank of Boston International) in New York, Los Angeles, and Miami, as well as our headquarters staff in Boston who specialize in financing, factoring, leasing, foreign exchange, and all related services.

Where in the world can we tackle the next tough project for your company?

BANK OF BOSTON 1784

THE FIRST NATIONAL BANK OF BOSTON

WE TACKLE THE TOUGH ONES.

D HEADQUARTERS. **100 FEDERAL STREET, BOSTON, MASS.** OTHER U.S. FACILITIES IN **NEW YORK, MIAMI, LOS ANGELES.** OVERSEAS FACILITIES IN **ARGENTINA:** AVELLANEDA, BUENOS , ROSARIO. **AUSTRALIA:** MELBOURNE, SYDNEY. **BAHAMAS:** NASSAU. **BOLIVIA:** LA PAZ, SANTA CRUZ. **BRAZIL:** BRASILIA, CAMPINAS, PORTO ALEGRE, RIO DE JANEIRO, SAO PAULO. **NEL ISLANDS:** GUERNSEY. **DOMINICAN REPUBLIC:** SANTO DOMINGO. **FRANCE:** PARIS. **GERMANY:** FRANKFURT, HAMBURG. **GUATEMALA:** GUATEMALA CITY, **HAITI:** PORT-AU-PRINCE, NVILLE. **HONG KONG. IRAN:** TEHRAN. **JAPAN:** TOKYO. **LUXEMBOURG:** LUXEMBOURG CITY. **MEXICO:** MEXICO CITY. **PANAMA:** PANAMA CITY. **SINGAPORE. SPAIN:** MADRID. **UNITED DOM:** LONDON. **URUGUAY:** MONTEVIDEO. **VENEZUELA:** CARACAS.

Put together in one chain drugs, hardware, clothing and sporting goods stores and what do you have? A hodgepodge? No, a highly profitable and fast-growing operation.

How Pay 'n Save grows 'n grows

BOB BUCHHOLZ, MANAGER of a Pay 'n Save drugstore near Seattle, made $37,000 last year. While managers with other chains might drool at that salary, it's almost average for the 182 Pay 'n Save store managers. Under the company's incentive plan, some make close to $50,000. Pay 'n Save has some pretty impressive figures to prove that this kind of generosity pays.

Seattle-based Pay 'n Save is a regional chain, concentrated in the Pacific Northwest and doing $619 million in sales last year. If it is relatively small as retailing chains go, Pay 'n Save is a giant in profitability. In FORBES' latest Annual Report on American Industry *(Jan. 8)* it ranked first among drug chains for sales and earnings growth over a five-year period, and its return on stockholders' equity over the same period was an excellent 20.5%, second only to Longs Drug Stores.

Obviously the incentive bonuses that put managers like Bob Buchholz into high tax brackets serve Pay 'n Save stockholders well.

Every employee, from the manager of a single store section to the CEO, gets a percentage of the profits from his department, store or division. "It's the carrot that makes them run," says soft-spoken M. Lamont Bean, 54, the company's president and mastermind of its growth.

Bean devised and runs one of the most flexible retailing operations in the country. Drugs are the biggest part of the operation, but Pay 'n Save is much more than just a drug chain. Follow a fairly typical shopper at Buchholz's shopping center. After buying drugs from Buchholz's Pay 'n Save, he or she might get some paint and plants at the Ernst home center next door; a tennis racket at the Sportswest store next to that; and some clothing at the Lamonts store at the other end of the mall. Without knowing it the customer has contributed four sales to the parent company's coffers, because all four chains and three others besides belong to Pay 'n Save.

When Pay 'n Save picks up a chain, like the Von Tobel's do-it-yourself home centers in Nevada, it keeps the chain's original name. "When you acquire a chain with a market identity," says Calvin Hendricks, the company's chief financial officer, "everything you acquire goes right to the bottom line." This saves the year or two it normally takes a new store to reach the black.

But the important thing about Pay 'n Save's diversity is this: It is a kind of modular approach to retailing. Each of the seven chains is a building block. If a new shopping center has little retail competition, Bean will put in a cluster of stores or a large combination store. If drugs are the only sure market, a plain Pay 'n Save drugstore will suffice. If a competing drug chain has a nearby store, the company can open a Bi-Mart, its no-frills, cut-rate drug chain which attracts a different type of shopper. With a hatful of names to choose from, a store is whatever name will have the most r nition in the market—regardless c merchandise sold. Rock Springs, has an Ernst store which sells dru well as hardware, to help establis Ernst name in the new Wyoming ket. Similarly, its Sacramento store plants, lumber, hardware and drug under the Pay 'n Save name.

The constant from store to store i 'n Save's management philosophy stresses the store manager's auton "There are many ways to run a suc ful drug chain; one is to control e thing centrally," Bean explains. "I do it that way, you don't need t $40,000 a year to your store mana But we're sending an executive to store, not a kid, and pretty near all c executive decisions are made in the On the average, 40% of a store mana salary depends on his bonus. If his doesn't prosper, he's back to base (which could be as low as $18,000).

Pay 'n Save's managers nearly al work their way through the ranks, ju Bean himself went from the stock to the manager's office of the first P Save drugstore in Seattle. Two cu vice presidents and one executive president started as clerks in the ori store. College graduates, recruited b company for the first time this must begin as sales clerks. "The s may have different looks and merc dise," Bean says, gesturing in his w paneled office, "but the fundamenta managing people are the same."

The first store was opened by B father, an ex-Safeway division mar and founder of a Seattle grocery chai an investment in 1947. The father is chairman of Pay 'n Save, but it wa

A shopper buys merchandise at a Sportswest store near Seattle
The next three stores he visits could also belong to Pay 'n Save.

Sea water will force oil from the desert.

This 15,000-horsepower Ingersoll-Rand pump and nine others are moving treated sea water 60 miles inland for injection into a major desert oil field. There, the sea water restores underground pressure, boosting oil and gas production.

The pump shown, which weighs 55,000 pounds, was first factory tested. And severe tests they were: the desert environment in which these pumps are installed requires the utmost reliability. Since corrosive sea water is involved, special metal alloys are required.

Ingersoll-Rand's advanced technology meets that challenge and many more. As a result, some 4.2 million barrels of sea water per day are being pumped through the 60-inch pipeline and into the ground.

Around the world, many different Ingersoll-Rand machines are being used to meet a wide variety of energy needs. Such as our continuous coal miners and haulage equipment. Air and gas compressors. Centrifugal and plunger pumps. Tools and hoists. Drills. Gas and steam turbines.

We're helping innovative people capture and make better use of energy resources.

In fact, that's what we do best: supply the technological leadership to make ideas work. And we do it in a big way. Our sales in 1978 exceeded $2.3 billion

Write for our Annual Report or product literature. Ingersoll-Rand Company, Dept. 849, Woodcliff Lake, NJ 07675.

ENERGETIC IN ENERGY

Ingersoll-Rand

"The Continental Corporation oesn't insure a thing. But we have 39 subsidiaries and 25 affiliates that insure almost everything."

John B. Ricker, Jr., Chairman and President

"When you look at this map, you see countries. When I look at it, I see opportunities.

"I see opportunities for the $7 billion Continental Corporation to broaden its basic mix of insurance business and provide more services in more markets to meet growing insurance needs, worldwide.

"As a holding company, we direct the efforts of our subsidiaries and affiliates to underwrite as broad a range of risks as possible. And, by way of our international operations, to spread the risks around the world.

"And that's exactly what we're doing. Our subsidiary, The Continental Insurance Companies, is the seventh largest U.S. property and casualty insurer. Working through 13,000 independent agents, we insure everything from automobiles to giant tankers. We're big in life, accident and health insurance, too. And we also have companies that provide allied services to the insurance industry—like AFCO, the leading premium financing company, and Underwriters Adjusting Company, one of the top three claims adjusting firms in the U.S.

"We're a major factor in overseas insurance with operations in over 70 countries. In some places we participate directly in foreign insurance markets through branch offices, such as those in London and Singapore. In others, we engage in joint ventures with foreign companies, like Phoenix Continental, S.A., in Brussels. Or we hold part ownership of a successful local insurer, as in Ireland and Malaysia.

"Our range of reinsurance services is one of the most comprehensive in the world today. Headed by Continental Reinsurance Corporation and The National Reinsurance Corporation, our reinsurance operation is the third largest in the U.S. and the sixth largest in the world.

"And we're always exploring new avenues for diversification. New branches were recently opened in Tokyo and Hong Kong. We've even conducted discussions with representatives of the People's Republic of China. Our Marine Office of America Corporation, one of the world's largest marine insurers, now exchanges insurance services with The People's Insurance Company of China. Back home, we're taking full advantage of the new Insurance Free-Trade Zone in New York, the first of its kind in the U.S.

"Has our strategy paid off? It certainly has. In 1978, we reported record results in revenues, income, assets and shareholders' equity. Operating income rose to $303 million. That's a 21% increase over 1977.

"What's more, we're a company that has paid consecutive cash dividends since 1853—longer than all but twelve companies on the Big Board.

"As a leader in our industry, our goal is to continue to look for opportunities to spread our risks while expanding our services to the insuring public."

For our latest financial reports, write The Continental Corporation, Dept. B, 80 Maiden Lane, New York, New York 10038.

THE CONTINENTAL CORPORATION

The Continental that means insurance.

TRAVELING BUSINESS EXECUTIVES WHERE ARE YOU?

But this is long distance! Where can I reach him?

Right now, as you read this ad, someone with an important message may be trying to find you.

CTD nationwide, toll-free answering service will know where you are. No more costly long distance calls for you, your clients and associates simply to get basic information.

More than just an answering service, **CTD** offers these unique services:

- **Executive Secretaries** to answer your calls prestigiously with your company name just like in your own office.
- **Secretarial Service** for those unexpected letters and documents.
- **Unlimited Toll-Free Calls** for you and your callers.
- **Personalized Business Cards** with your toll-free number and extension.
- **Emergency Money Transfer Service** for quick cash.

AFTER THIS CALL, THE CHARGE IS ON US!

(303) 893-9225, Ext. 60

Colorado Transportation Dispatcher
Toll-Free Answering Service Division
4238 Clayton Street, Suite 114
Denver, Colorado 80216

Pay 'n Save's Hendricks and Bean
"It's the carrot that makes them r

son who saw the potential back a start. The chain grew slowly for tw cades and branched out into hard stores in 1960. But it was during Bo recession back in the early 1970s growth really took off. With local ness weak, Pay 'n Save was able t pand in Seattle on the cheap, addin eral Pay 'n Save stores to its chain. Boeing recovered and Seattle with i 'n Save was well positioned to profi

Pay 'n Save's biggest expansion in 1976 and 1977 when it opened n new stores; digesting that expa hurt profits in 1977, but this past (ended Jan. 31) showed a rebound come grew 18% to $3.14 a share, o million. In addition, its 17 stores in fornia went into the black recentl the first time, and expansion east into the Salt Lake City and Wyo areas is going smoothly.

Bean has only one weak link i chain, the Lamonts clothing chain. was so dissatisfied with its 17 st uneven profits that last month he outside the company to find a new p dent for the division—much to the prise of the loyal Pay 'n Save ranks. bought a chain that had run out of Bean says. "We had very little expe in this area. Our first idea was, 'Bu hell, anybody can buy. We gotta sell came around to other ideas."

Will M. Lamont Bean's modula proach to retailing continue to wo Pay 'n Save spreads further from home base? That remains to be seen Bean is all optimism. He is talking a hitting $1 billion in sales within t years, and earnings could reach share or better. Not bad for a com that went into the 1960s with sales der $10 million and earnings equiva to 11 cents on the present shares. ■

It's not just one big simple world out there.

It's not just one big simple world out there, but many. Whether you have a single message for the whole world or many messages for many different markets, TIME can help.

For TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where your markets are.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

The banks have always managed most of the pension funds cause . . . well, because they're the banks. But they can't take business for granted anymore.

It takes more than a sincere suit and a smile

Carl Hathaway of Morgan Guaranty
Head to head with his old boss.

By Cynthia Saltzman

WHEN CARL E. HATHAWA starting out at Morgan G ty Trust Co. of New York early Sixties, big corporate pensio clients used to come over to have with Longstreet Hinton, head trust department. "Over de Hathaway, now senior vice pres recalls somewhat wistfully, "they 'Well, Longstreet, how are we d And he'd say, 'Fine.' And that wo that." Past tense, of course.

The banks, headed by Morgan billion, still have an estimated 2 the $500 billion in U.S. pension But they can no longer satisfy th tomers with a lunch and a reas phrase. In fact, Morgan has lost clients and, since 1972, absolute sion-fund dollars. Citibank has als pension money; and Bankers Trus Chase Manhattan Bank, and Che Bank are reported to have had net defections last year.

Why the switches? With the pass ERISA in 1974, pensions became a not simply a moral, obligation. I corporation has $10 million to p pension benefits this year, and it million pension fund earns only 4 stead of 6%, the difference even must be made up. Further, says Pat Regan of BEA Associates, Inc., a r management firm in New York, companies, by miscalculating infl have both underestimated future pe obligations and overestimated th turns on their pension-fund investm

So today's pension world is a competitive one—of computers, c tants and ERISA. The clients are s ticated and watchful, ready to s their funds at the drop of a com printout. Since ERISA, diversifica among managers and types of i ments—has been the name of the

"Fifteen years ago," says cons George F. Russell Jr., "outside of t

ce industry, some five New York
dominated the corporate pension
and this dominance has receded
ially." Since pension-fund contri-
ns are growing at 15% a year, the
oney-center banks have gained dol-
r most of those years but lost mar-
nare. A Citibank study estimates
ndependent investment counselors
manage $70 billion in pensions
ared to $26 billion six years ago)
cut the banks' share in half.
s John Casey of Rogers, Casey &
dale Inc., one of the leading pen-
consultants, "The banks are going
ve to improve, or they will lose
share—at a rapid rate." Casey even
ons whether some banks should be
business at all.
y? Recent history offers damaging
nce. In the recession of 1973-74, for
ple, the banks were caught with a
portion of their money in growth
s. The ones that hung on the long-
ffered most. According to the "big
universe" of consulting firm Frank
ll Co. Inc., commingled funds at
rge banks have had a return of 2.2%
he past five years (their separate
nts averaged a more respectable
, compared with 4.4% for S&P's
% for its group of 134 independent
y managers.
nonbank money managers have
ered correspondingly. T. Rowe
Associates Inc.'s pension funds in-
d 31% in five years, to $2.5 billion.
al Guardian Trust Co. and Fayez
m & Co. in Houston also gained.
nce companies took business away
ow-risk investments like "guaran-
income contracts" promising a
percentage return. With indexing
ue recently, independents like Bos-
$2 billion (assets) Batterymarch Fi-
al Management Corp. hurt the tra-
al banks.
concept of "indexing" has hurt,
his involves buying a cross section
e market to catch the presumed
erm upward trend of stock prices.
ducing transaction costs to a mini-
indexing automatically produces
gs offset only by performance.
over the past two years the banks
been responding. At least half the
jor banks have reshuffled top man-
ent in their trust departments. Pe-
ermilye, Hathaway's old boss at
n, is now a senior vice president at
nk. New officers went in at the top
nk of America, Harris Bankcorp,
State Street Bank & Trust Co. and
National Bank of Chicago. In New
Morgan is virtually the only big
that hasn't brought in new invest-
talent or promoted from within.
recently, after a year-long search,
hired Daniel J. Forrestal from the
National Bank in Dallas.
ng with restructuring personnel,

the banks have been restructuring techniques and following the major move from stocks to fixed-income securities, now more than 50% of all pension assets, compared with 25% five years ago. Wells Fargo Bank is a pioneer in modern portfolio theory and indexing. Morgan has set up several fixed-income funds and an international stock fund which had a 36% rate of return last year.

Some banks, like Bankers Trust, have gone into "master trusts," to act as custodians of the assets—keeping track of all the multiple managers, providing regular reports on performance.

At Citibank, Vermilye has also done more than add a few portfolio managers. Citibank now has a real estate fund, an international fund and a new $10 million fund using both fundamental and modern portfolio theory analysis.

The jury is still out on bank pension-fund performance. There was some progress last year: Citibank's stock fund had a return of 10%; Morgan's individually managed accounts averaged an 8.9% return. Over half the biggest banks' commingled funds surveyed by *Pensions and Investments Performance Evaluation Report* outperformed the S&P's 500—even if it was only 6.8% to 6.6%.

If the banks can continue to do that well, they will at least be able to hold their own. What company wants to take an account away from a bank with which it has had a long relationship?

Recent history suggests that relatively small pools of capital can produce more spectacular results, at least over short periods, than big ones. That gives the independent money management outfits something of an advantage. But what do you do when you are dealing with billions of dollars—as an AT&T or General Motors pension fund must do? Perhaps you use some of the smaller firms as a yardstick, but you still give the bulk of your money to people who are accustomed to dealing in huge sums. Says George Russell, of Frank Russell Co. Inc.: "Our clients may select a larger number of independent money managers, but the bulk of the money may still go to the banks, simply because the little oper-

Peter Vermilye of Citibank

New management, new techniques, new investment vehicles.

ERISA is helping to make a whole new breed of consultants rich.

Who's keeping score here?

By James O'Hanlon

The heaviest hitter among a tough new bunch.

All-Steel 8000 Series Systems Furniture:

New freedom of design for your office plan.

Consider the possibilities inherent in the 8000 Series. At one extreme, it is a complete system of integrated, modular components which you can combine to create immediately the total office plan you want.

At the other extreme, you can introduce 8000 Series components into your existing office piece-by-piece. The transition will be smooth because Series 8000 components are compatible with conventional free-standing furniture.

As growth, change, or relocation require, Series 8000 components can be rearranged quickly and easily to meet your new needs.

To learn how smoothly our 8000 Series Systems furniture can meet your present and future needs, write All-Steel Inc., Aurora, IL 60507.

ALL·STEEL

Showrooms in:
New York: 212/752-2610
Aurora: 312/859-2600
Chicago: 312/321-9220
Los Angeles: 213/659-2000
In Canada:
All-Steel Canada Ltd
Montreal, Toronto

money manager who is trying to recover after a well-monitored poor performance in recent years: "Most of the consultants who come in here haven't been in the business as long as the money managers have. They ask a lot of questions, but they don't know anything about managing money. They are trying to turn it into a science because they don't have the experience to practice it as an art."

George F. Russell Jr.—with his 90-employee Frank Russell Co. Inc.—is the original and biggest pension consulting firm. Russell and his staff of 40 consultants, based in Tacoma, Wash., have been called arrogant and arbitrary in their selection of money managers for his closed list of 40 corporate clients. Russell, whose clients include IBM, Xerox and J.C. Penney, defends himself: "There's a lot of resentment out there because there aren't that many skilled managers. The days are over when managers can operate in a closet without doing their jobs right."

Russell uses Boeing Computer Services to process performance information from a "universe" of over 500 monitored institutional and independent money managers. He and his staff produce quarterly portfolio profiles on a majority of them, plus debt-to-equity models and advice on real estate investment—all for the exclusive use of his 40 clients.

Russell isn't a "quant," one of the young consultants who do much of their monitoring by questionnaire and most of their evaluating by quantitative analysis. He says that 60% of his portfolio tion is qualitative—based on his tive attitudes about a manager's ter and reliability. Says the 46-y Russell, a man of measured state "About 75% of what is called r portfolio theory is smoke. Only substance."

Consultants like Russell look fo they call a "comfort factor" in a manager. Kenneth F. Brunke Jr., Chicago-based independent con who used to manage corporate p money himself, says that the final he makes for a client must be subj "A lot of pension sponsors out don't want a New York manage says. "Or they have ethnic prejud

As consultants have been instru

Many of the self-appointe perts are young and inex enced, but articulate in mysteries of modern port theory and other quantit portfolio evaluation t They speak a language the stragglers do not kno

Pension consultant Kenneth F. Brunke Jr.
Quantitative analysis, yes, but the final choice has to be instinctive.

in directing money away from m ment by the banks, they have bee ing fund sponsors toward splittin funds among a diversely talented of money men. Depending on a investment strategy, a consultant recommend a mix including two r ers noted for success with high stocks. Another might be chosen stick-to-itiveness with growth while still another might be cho market timing. The idea is to get balanced, overall performance an minimum return on investment.

The money men complain tha are being pigeonholed. Says one, pressure is on every manager to b dimensional. When you talk to a c tant you have to explain yourself i detail that you put yourself in a When you try to be flexible and ad the market they come back an 'What are you doing? You were su to be doing X and you are doing Y forget that the idea is to make m This same long-experienced manager thinks the pressure of th sultant's "comfort factor" is help create a timid stock market.

At any rate, the consultants are stay, if for no other reason than under ERISA, the use of one helps p the people responsible for pension from lawsuits ("We used the best available, didn't we?").

Will the growing power of the c tants help improve overall pensio performance? Probably not, but the certainly make it more competi and, in the end, more costly. ■

Grumman presents: one for the road.

The Grumman Flxible 870® transit bus.

Over the next decade, America will need more than 50,000 new transit buses. The Grumman Flxible 870® bus will go a long way toward meeting this demand.

It's the product of aerospace technology applied to the down-to-earth problems of building a better bus. The result is an award winning design with a range of features which are appealing to riders, drivers and maintenance personnel alike.

And it does so with the same reliability as every other Grumman product. From our aerospace systems like the F-14 Tomcat fighter, to such products as our Pearson yachts, Data Systems, and Sunstream™ solar energy systems for home and business.

We're Grumman. We're technology, performance and reliability. Grumman Corporation, Dept. GCP, Bethpage, Long Island, New York 11714.

GRUMMAN

The reliable source

Last year we ran a list of 100 companies where big earnings gains were likely. The stocks did very well. Here's our 1979 version.

Return of the golden ones

HOLLYWOOD'S SEQUELS to successful films are usually busts. We hope the same won't be true of our sequel in this space. Last year around this time we ran a list of 100 companies for which the analysts surveyed by Institutional Brokers Estimate System expected earnings gains of at least 25% over 1977.

The list was a smash hit. On average, these stocks rose 38%; the market as a whole was up less than 16%. Not ba

So, here's our sequel. To get on year's list a company had to be predi for a 25% gain; this year they need 36% gain. Mind you, these aren't growth stocks. Some of them will s good gains simply because 1978 wa extraordinarily poor year. Others, h ever, have good growth records.

Will this year's list do as well as year's? Sequels seldom do, but ther certain logic to aligning your inv ments with the trend of earnings.

The tables are pretty much self planatory. But if the column he "Variation in earnings estimates" m fies you, it needn't. What it shows is range of analyst estimates on the sto Where the variance is small, analysts pretty much agreed on what the earn will be; where the variance is big, t is less agreement. ■

Shooting Stars II

Companies for which Wall Street predicts at least 36% growth in earnings per share.

Company	Fiscal year ended	Recent price	1978 earnings per share*	Average of analysts' estimates of fiscal 1979 EPS*	Increase of 1979 over 1978	P/E based on 1979 earnings estimates	Number of estimates	Variation in earning estimates
Westmoreland Coal	Dec	28½	$ 0.20	$ 3.32	1,559%	9	11	15%
Uniroyal	Dec	6¾	0.04	0.65	1,525	10	3	47
Kennecott Copper	Dec	23⅛	0.15	1.99	1,227	12	16	39
Royal Crown Cos	Dec	13⅜	0.17	2.00	1,077	7	7	10
IU Intl	Dec	10½	0.30	1.82	506	6	5	10
Williams Cos	Dec	18¾	0.47	2.61	454	7	9	10
Eastern G&F Assoc	Dec	17⅛	0.59	2.45	316	7	13	14
Pittston	Dec	19⅝	0.67	2.51	274	8	14	18
Federal Paper Board**	Dec	24½	0.85	2.82	230	9	3	14
Zapata	Sept	15¾	0.59	1.93	229	8	4	20
Sherwin-Williams	Dec	21¾	0.76	2.47	226	9	6	37
Harcourt Brace Jovanovich	Dec	38¾	1.70	5.33	214	7	6	5
Texfi Industries	Oct	6¼	0.97	2.99	208	2	3	5
Cray Research	Dec	25	0.65	1.89	190	13	4	23
Watkins-Johnson	Dec	20⅜	0.70	2.01	187	10	5	23
Duriron	Dec	16¼	0.74	2.01	172	8	3	2
El Paso**	Dec	17⅜	1.08	2.91	168	6	6	5
Valley Industries	Nov	6	0.32	0.85	166	7	3	18
Superior Oil	Dec	346	10.21	26.09	156	13	8	32
EF Johnson	Dec	8⅝	0.53	1.33	152	6	3	43
Phelps Dodge	Dec	27⅞	1.16	2.81	142	10	17	35
Rohm	June	31	0.51	1.21	137	26	7	23
New York Times	Dec	26⅜	1.32	2.97	125	9	9	11
Newmont Mining	Dec	25⅞	1.25	2.80	124	9	15	30
Freeport Minerals	Dec	38¼	1.80	3.90	117	10	7	22
Interlake	Dec	23⅜	1.77	3.82	116	6	3	4
Tom Brown	Mar	17	0.46E	0.90	95	19	3	20
ENSERCH	Dec	20¾	1.63	3.01	85	7	10	6
Citizens & So Natl Bk	Dec	5¾	0.32	0.57	80	10	6	14
Toro	July	26⅝	2.06	3.57	74	7	4	6
Oscar Mayer	Oct	22¼	1.79	3.10	73	7	5	7
Ocean Drilling & Expl	Dec	38¼	2.23	3.84	72	10	13	8
Columbus & So Ohio Elec	Dec	23	1.73	2.92	69	8	3	5
AE Staley Mfg	Sept	20½	1.26	2.11	67	10	6	10
National Can**	Dec	16¾	1.93	3.23	67	5	10	10

* For fiscal years ending June through May of the following year. † Percentage range around the average in which about two-thirds of analysts' estimates fa The lower the percentage, the greater the agreement among the analysts. ** Fully diluted earnings per share. E: Estimate.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ry

International Paper Company

has sold its Panama City Mill

and related properties to

Southwest Forest Industries, Inc.

The undersigned acted as financial advisor to International Paper Company and assisted in the negotiations leading to this transaction.

The First Boston Corporation

March 29, 1979

PUT MAN THR HI

It's one of Dana's principles of productivity.

Once a year, all of Dana's division managers present their plans to an audience of their peers. Then they have to defend them. It's affectionately known as "Hell Week." But once through the ordeal, our managers have earned the right to run their own operations for another year.

Managers everywhere have the pressure of responsibility. At Dana, they get the authority and support that ought to go with it. It's part of what we call humanistic management, giving people the freedom to work well, to grow and to share the rewards.

You can see the results in our productivity. It's doubled in the last 7 years.

Productivity alone doesn't produce profits. But we're balancing our outpu of parts for the vehicular, service and industrial equipment markets we manufacture for. So, as well as increasing productivity, we've improved our earnings year after year.

And that's not bad for a bunch of people who've been through hell.

Dana Corporation, Toledo, Ohio 43697.

OUR
GERS
UGH
LL.

PRODUCTIVE PEOPLE

DANA

Shooting Stars II

Company	Fiscal year ended	Recent price	1978 earnings per share*	Average of analysts' estimates of fiscal 1979 EPS*	Increase of 1979 over 1978	P/E based on 1979 earnings estimates	Number of estimates	Variatic in earni estimat
Teleprompter	Dec	15⅜	$0.76	$1.27	67%	12	3	9%
Texasgulf	Dec	24⅜	1.33	2.21	66	11	4	15
Global Marine	Dec	18¼	1.85	3.07	66	6	4	16
Bally Mfg	Dec	64¾	2.56	4.22	65	15	4	6
Brockway Glass	Dec	18¼	2.18	3.59	65	5	10	8
Prime Computer	Dec	31¼	1.46	2.40	64	13	8	8
General Cable	Dec	16¼	1.63	2.64	61	6	4	15
Storage Technology**	Dec	36½	2.08	3.34	61	11	10	10
Wang Labs	June	36⅜	1.38	2.22	61	16	9	5
Greyhound**	Dec	11¾	1.25	1.99	60	6	3	2
CFS Continental	Sept	11¼	0.92	1.46	59	8	4	5
Coherent	Sept	21¼	1.01	1.57	56	14	5	18
First Mississippi	June	13	0.49	0.76	56	17	4	16
Hanna Mining	Dec	35¼	2.88	4.46	55	8	6	14
Rohr Industries	July	15⅜	1.88	2.91	55	5	3	3
VSI	June	18¾	1.92	2.96	54	6	4	6
American Quasar Pete	Dec	23½	0.49E	0.75	54	31	4	13
Stone Container	Dec	28	1.35	2.07	53	14	4	24
St Joe Minerals	Dec	25⅞	1.92	2.94	53	9	11	9
Anixter Bros**	July	11⅝	1.17	1.79	53	6	3	6
Raychem	June	78½	4.28	6.49	52	12	5	6
Chessie System	Dec	27½	3.59	5.43	51	5	11	15
Portec**	Dec	16⅛	1.85	2.77	50	6	4	2
Sun Electric**	Oct	26⅛	1.49	2.22	49	12	4	8
Sabine	Dec	34⅜	1.19	1.77	49	19	4	11
Ohio Edison	Dec	16⅛	1.19	1.76	48	9	10	11
Sea Containers	Dec	19	3.48	5.15	48	4	4	8
Humana	Aug	29½	1.51	2.24	48	13	8	7
Nalco Chemical	Dec	32¼	1.98	2.93	48	11	13	3
Jos Schlitz Brewing	Dec	10⅝	0.41	0.60	47	18	12	29
Cessna Aircraft	Sept	18⅛	2.05	3.01	47	6	6	5
Crutcher Resources	Oct	14¾	1.03	1.51	47	10	4	13
Microdata	Mar	22⅝	1.81	2.64	46	9	4	11
Inexco Oil	Dec	17⅝	0.86	1.25	45	14	3	12
Santa Fe Intl**	Dec	28⅝	2.60	3.78	45	8	17	14
E-Systems	Dec	26½	3.05	4.42	45	6	3	10
AMAX	Dec	49⅞	4.14	5.98	44	8	15	13
Metro-Goldwyn-Mayer	Aug	22⅝	1.61	2.33	44	10	8	6
Systems Engr Labs	June	15⅛	1.00	1.44	44	11	5	3
Kentucky Utilities	Dec	19⅝	1.88	2.70	44	7	4	5
Indianapolis P&L	Dec	23⅛	2.30	3.30	43	7	6	4
Springs Mills	Dec	16⅝	2.42	3.47	43	5	3	7
Monogram Industries	June	30¾	3.23	4.62	43	7	5	4
Northwest Airlines	Dec	26⅝	2.86	4.09	43	7	17	11
Continental Group	Dec	29¼	3.47	4.93	42	6	10	5
Pioneer Hi-Bred Intl	Aug	19¼	1.70	2.41	42	8	7	5
Waters Assoc	Dec	30½	1.57	2.22	42	14	9	8
Comtech Telecom	July	10½	0.64	0.90	41	12	4	10
No Ind Public Svc	Dec	15½	1.61	2.26	41	7	10	5
National Mine Svc	June	13	0.77	1.08	41	12	4	14
Joy Mfg	Sept	31	3.01	4.21	40	7	11	5
Warner & Swasey	Dec	24⅝	3.34	4.67	40	5	4	5
Data Terminal Sys	Jan	42½	2.91	4.06	40	10	4	6
Safeguard Industries	Dec	12	1.04	1.45	39	8	3	3
Kaiser Steel	Dec	27⅝	1.75	2.44	39	11	4	53
Diebold	Dec	21⅝	1.64	2.28	39	9	3	15
Standard Oil Ohio	Dec	49	4.00	5.55	39	9	23	11
Standex Intl	June	15¾	1.73	2.39	38	7	3	5
Syntex	July	34⅜	2.90	4.00	38	9	18	9
Pneumo	Nov	19¾	2.26	3.11	38	6	6	9
Thrifty	Aug	15⅜	1.12	1.53	37	10	3	8
PPG Industries	Dec	26⅜	4.19	5.73	37	5	5	12
Omark Industries	June	30⅝	4.10	5.61	37	5	5	12
Resorts Intl	Dec	52¼	4.57	6.25	37	8	4	14
American Family	Dec	12¾	2.28	3.11	36	4	5	9

* For fiscal years ending June through May of the following year. † Percentage range around the average in which about two-thirds of analysts' estimates The lower the percentage, the greater the agreement among the analysts. ** Fully diluted earnings per share. E: Estimate.

Source: Institutional Brokers Estimate System; Lynch, Jones & R

*Enough to supply *every* home in America for about seven weeks!

...99% of it without oil!

ese days, depending upon for-
gn oil can be uncertain and costly.
say the least.

At A E P oil is *not* our fuel for power
eneration

Coal... abundant American coal...
our main fuel.

We burn over 35 million tons a year. And we burn it in conformance with current Clean Air regulations.

We also operate our own extensive coal transportation fleet. We have available 3,200 rail hopper cars, 510 barges and 26 towboats.

The coal we burn is the equivalent of saving 120,000,000 barrels of oil.

That helps our country, our customers and our shareholders.

Conserve oil?
We've been doing it for 72 years!

American Electric Power
we see a busier, better America

Serving in Ohio, Indiana, Michigan, Virginia, West Virginia, Kentucky, Tennessee

How does Wall Street look from Zurich? Swiss bankers loved U.S. stocks in the booming Sixties, but lost big with the dollar's decline. Now, cautiously, they're buying again.

The gnomes are nibbling

By Paul W. Sturm

DON'T BELIEVE those myths about Swiss bankers being different from the rest of us when it comes to investing. In the Sixties, when stocks went mostly straight up, they loved the U.S. market. They put nearly half their customers' money into Wall Street. They were bullish.

Legend has it that shrewd money managers outguess the averages. They buy when prices are cheap. They sell when prices are dear. That is—a legend. Swiss bankers were frolicking happily in the American market when it was rising, and they are avoiding it like the plague when it is down. They seemed to have done what so many of the rest of us did: getting in on the way up, staying out at the bottom.

Today these same Swiss banks have less than 10% of their money in U.S. equities. They loved American stocks at 18 times earnings; they steer clear of them at eight times earnings. Logical? No. But the stock market isn't logical.

You can't blame the Swiss, in a way, for they took quite a beating. The Dow Jones industrials are lower now than in the mid-Sixties. But that's not the whole story. Adjusted for the dollar's decline, the Dow is a shambles, down 60% since 1971 in terms of the robust Swiss franc.

As a result, many Swiss investment advisers have sworn off dollar-denominated assets completely.

Such disenchantment has a profound effect on American investors, because the Swiss play the international capital game with very big chips. Despite layers of nondisclosure, experts estimate that the nation's banks supervise some $300 billion in assets. Over half that money goes to the Zurich-based big three—Crédit Suisse, Swiss Bank Corp. and Union Bank of Switzerland—making each of their investment operations twice the size of Morgan Guaranty's billion trust department. Beyond there are more than a score of so- private banks, most of which limi services to portfolio management.

Switzerland's institutional inve of course, differ markedly from the counterparts. Their clients are w private individuals from aroun world instead of corporate pension or college endowments. As a result folio managers often get specific in tions about what kinds of invest customers do and don't want. P more than any other financial ad however, Swiss bankers influence foreigners think about U.S. investm And that influence has an impact Street brokerage houses, about which keep expensive local offic court them, estimate that on an day the Swiss money men accou over 5% of the trading volume o New York Stock Exchange.

For the moment, most of Zu once-burned investment profess aren't about to come rushing back U.S. stock market. But they are n *tempted,* and some are starting to *nib* U.S. bond markets. Kurt Meyer, wh pervises portfolio holdings from and Latin America for Union Bank in his office and punches up three-m money-market rates on a display t nal. Swiss franc deposits earn ½ that's right, a $10,000 deposit earn a year in interest. Deutsche marks about 4%, while dollar balances br over 10%. "The more people see rate differentials," he says, "the they'll have second thoughts abou holding dollars. Already, they can back three months and see the opp nity they missed."

Like most Swiss advisers, then, M is slowly shifting his customers' m into dollars. U.S. stocks? Not ye that may be his next move. "A money is ready to go into the marke very short time if people think in rates have peaked," says the head Zurich firm that manages about $ lion for several wealthy European ilies. "Last year we saw a 25% rise Japanese indices, and in 1979 the Jones could do the same—purely quidity reasons." What he means i there may be so much cash slo around that some of it will seep int stock market. Out of sheer boredo nothing else.

Dr. Christoph Gruebler, head o own investment advisory service man whose reputation rests on a sh decision to dump dollar holdings in says: "Simply stated, I think your két's rise over the next 6 to 12 mo will be far sharper than any decline dollar. I look for another 10% drop i averages, and then I'd be ready to p to 40% of my funds into well-k

Watching the market in downtown Zurich
Almost every local bank keeps NYSE quotes flashing in its windows.

Longer is shorter.

Change to our longer-lasting roll towel and shorten your towel maintenance time.

That's the idea behind Fort Howard's 850-foot roll towel. It's the longest roll towel in the business. Available in both bleached and natural stock. So you get more hand-dries per roll and fewer roll changes.

Our 850-foot roll is over 200 feet longer than the average roll towel. That means longer periods between maintenance calls. And added up over a year, the savings can be significant.

By teaming our 850-foot towel with our Commander I® cabinet, you can cut your maintenance costs even more. The Commander I is designed to eliminate "stub roll" waste, the unused portion you may be throwing away. So you use all the paper you buy.

Get the longest roll towel and shorten towel maintenance time. Call the Fort. Dial (312) T-H-E-F-O-R-T and we'll show you how to save.

Fort Howard Paper
Green Bay, Wisconsin 54305

Call the Fort

Dial (312) T-H-E-F-O-R-T

Call the Fort is a service mark of Fort Howard Paper.

No meeting is too unusual for St. Louis.

That's the beauty of this place: its versatility, flexibility, adaptability

Big groups, small groups, young ones, oldsters, serious-minded or funseekers . . . St. Louis has the hotel, meeting, and show facilities, the variety and the atmosphere it takes.

The climate's right, too; mean temperature, 56 degrees and a yearly average of 206 days when the sun shines. (That beats Paris.)

Call or write John G. Walsh, 7900 Forsyth, St. Louis, Mo. 63105; (314) 889-2813.

Copyright St. Louis County Government 197

n stocks like Eli Lilly and IBM." e was when Swiss investment like many U.S. portfolio manag- arked their money in top-tier se- s, content to ride the market for f necessary. That attitude no long- ails. "With the possible exception n, you can only make money to- ying equities on the swings," says ith Saurer, a member of the man- nt committee at Julius Bär & Co., 's largest private bank, its offices discreetly above an expensive y store. "Inflation means that nies pay taxes on fictitious profits, ey're not allowed to make the nec- writeoffs. So real values are stead- reasing."

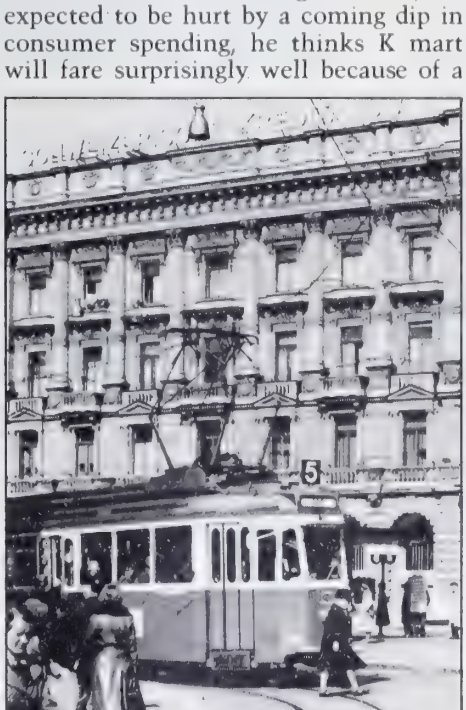
atch the next upswing and cash in at he sees as a strong market rise ill follow a peak in U.S. interest Saurer looks for convertible bonds ownside protection in the form of high yields. Two favorites avail- the Eurodollar market: an Ameri- an issue with an 8.4% return, just 24% above its equivalent val- ommon stock; and a Ford offering ields 8.2%, with an even lower nversion premium.

n his glass-and-aluminum head- rs just south of town, Gilbert de , who runs Rothschild Bank, is nturing into U.S. markets—but in imited way. "You could keep your on 48-hour call for 20 years and ly stay even with inflation," he is, not unaware of the fat double- terest rates now available on dol- posits. "So you've got to sense a portunity to switch to stocks." urer, de Botton now buys equities for short-term trading, and at the nt he thinks smaller domestic en- mpanies like Adobe Oil, Dorches- s and Mesa Petroleum offer good unities. "Obsolescence isn't a fac- th them," he says, "and they up nicely in the last oil crisis."

cally, then, most Swiss invest- professionals expect that for the ear or so Wall Street will rise faster ne dollar will fall. But, as we said, are like other people: When stock are cheap, like today, they are ous. Why *should* they be so cheap? Swiss are not exactly jumping in oth feet. "I want to protect myself earnings decline is stronger than pansion in multiples," says one who manages about $500 million andful of French customers. "I'd rather pay 18 times earnings for nberger, which will grow 20% a han 9 times earnings for some- lse that won't. If I'm wrong on my and the multiple drops by half, ars later earnings growth will have p the difference."

e are, of course, other approaches. Bank, a tiny institution known locally for its U.S. expertise, has, like many American investors, discovered the Sunbelt. "In your South and West we see a robust economy that impresses us very much," says Sibylla Sonnenthal, a partner who visits the U.S. regularly. "Then you get to Washington and New York and you wish someone would chop off the East Coast." As a result, her firm keeps a full-time scout in North Carolina who seeks out small, fast-growing public companies. At the moment, Rüegg clients hold such off-the-beaten-path stocks as Arkansas Best, a regional trucker; Ernest W. Hahn, a California shopping center developer; and Kentucky Central Life Insurance. "We do our own research because we want stocks we think will double or triple," she says. "That offsets any currency risk." A current pick: Great Lakes Dredge, which stands to benefit from new restrictions on the Army Corps of Engineers.

Such exotica, however, aren't as useful for the giant Swiss banks, which must think in billions, not millions, and their research departments regularly comb the heavily traded stocks for investment opportunities. At Crédit Suisse, Urs Enderle heads a six-man unit that specializes in U.S. equities, and the issues he picks go on a recommended list for the bank's legion of portfolio managers. Enderle likes what he calls "tarnished" blue chips. Schering-Plough, for example, trades at half the multiple of rival SmithKline, and he considers it a far better value. Similarly, he is enthusiastic about American Express despite the chorus of analyst complaints about its vulnerable credit-card and traveler's-check businesses. Among retailers, all expected to be hurt by a coming dip in consumer spending, he thinks K mart will fare surprisingly well because of a



Not all of Zurich's banks are anonymous
Its Bahnhofstrasse is the Swiss Wall St.

product mix that lacks big-ticket items.

Despite these pockets of optimism, Swiss money managers are far from bullish on America. Edwin Wydler runs the U.S. portfolio for Swiss Re, an insurance company with $6.3 billion in assets. A hefty portion of its funds are invested in Wall Street, not because Wydler is especially optimistic but because his company needs dollar holdings to cover its substantial dollar obligations. "As the last bastion of capitalism, the U.S. certainly isn't setting a good example," he complains. "Look at the auto industry. You've got fuel-economy regulations, price controls on gasoline and the Department of Energy printing ration coupons. The government is replacing the marketplace with central planning."

Dr. Peter Wälli supervises North American holdings in nearly $36 billion worth of pooled accounts for Union Bank, and he worries, too.

"We think your recession will be worse than most people assume, and at first the slowdown will help the stock market," he says. "The reaction, however, could be dramatic. Suppose the Administration panics with the primaries coming up and pressures the Fed to start churning out dollars? If the money supply jumps for a couple of weeks, there'll be another panic." Clucks Dr. Thomas Schlieper at J. Vontobel & Co., private bankers: "Carter has to improve his image to win the 1980 election; that means cheap money and high inflation."

So, what's new? Not much. Swiss bankers are like the rest of us. Worried about inflation in the U.S., yearning for more of what used to be called fiscal responsibility and seeing a smidgen of hope in the Sunbelt. As long as inflation remains high they are not impressed by the rising earnings of U.S. corporations; the earnings are not real.

Maybe the Swiss bankers are right. They weren't right, of course, in the Sixties and the early Seventies. Maybe they are wrong again. A lot of us hope so.

We'll conclude on a cheerful note: Dr. Hans-Conrad Kessler took a little list along last month when he spoke to a convention of well-heeled German doctors. Kessler is a senior vice president at Swiss Bank Corp. responsible for billions of dollars in investments, and his list sports 25 U.S. stocks—ranging from Boeing to Xerox—that would have netted their owners a handsome profit over the previous 12 months despite the dollar's sharp drop against the Swiss franc and German mark. "U.S. corporate earnings were up 20% in 1978 and dividends, 10%," he says. "Unfortunately, the market didn't react to this fantastic news. But we've changed our policies and we're buying American stocks."

If a few dozen other key people start thinking like that, we could have a flood of Swiss money on Wall Street. ■

No meeting is too unusual for St. Louis.

That's the beauty of this place: its versatility, flexibility, adaptability.

Big groups, small groups, young ones, oldsters, serious-minded or funseekers . . . St. Louis has the hotel, meeting, and show facilities, the variety and the atmosphere it takes.

The climate's right, too; mean temperature, 56 degrees and a yearly average of 206 days when the sun shines. (That beats Paris.)

Call or write John G. Walsh, 7900 Forsyth, St. Louis, Mo. 63105; (314) 889-2813.

Copyright St. Louis County Government 1977

h stocks like Eli Lilly and IBM." e was when Swiss investment -like many U.S. portfolio manag- arked their money in top-tier se- es, content to ride the market for if necessary. That attitude no long- vails. "With the possible exception an, you can only make money to- uying equities on the swings," says uth Saurer, a member of the man- ent committee at Julius Bär & Co., h's largest private bank, its offices d discreetly above an expensive ry store. "Inflation means that anies pay taxes on fictitious profits, hey're not allowed to make the nec- y writeoffs. So real values are stead- creasing."

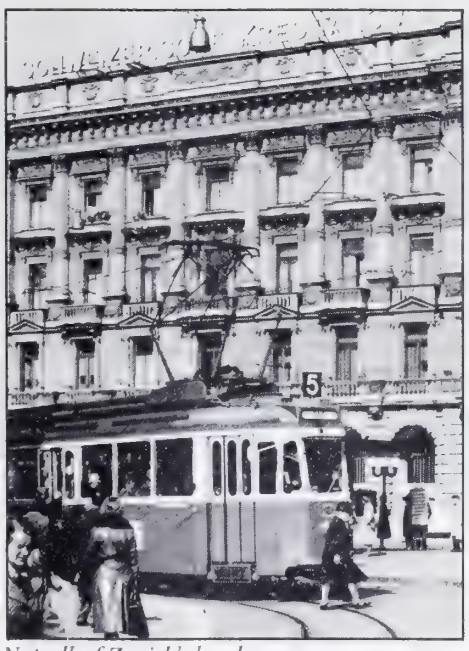
catch the next upswing and cash in hat he sees as a strong market rise will follow a peak in U.S. interest Saurer looks for convertible bonds downside protection in the form of 's high yields. Two favorites avail- n the Eurodollar market: an Ameri- Can issue with an 8.4% return, d just 24% above its equivalent val- common stock; and a Ford offering yields 8.2%, with an even lower conversion premium.

m his glass-and-aluminum head- ers just south of town, Gilbert de n, who runs Rothschild Bank, is venturing into U.S. markets—but in y limited way. "You could keep your ey on 48-hour call for 20 years and bly stay even with inflation," he ins, not unaware of the fat double- interest rates now available on dol- eposits. "So you've got to sense a opportunity to switch to stocks." Saurer, de Botton now buys equities ly for short-term trading, and at the ent he thinks smaller domestic en- companies like Adobe Oil, Dorches- as and Mesa Petroleum offer good rtunities. "Obsolescence isn't a fac- with them," he says, "and they d up nicely in the last oil crisis."

sically, then, most Swiss invest- t professionals expect that for the year or so Wall Street will rise faster the dollar will fall. But, as we said, s are like other people: When stock s are cheap, like today, they are icious. Why *should* they be so cheap? he Swiss are not exactly jumping in both feet. "I want to protect myself e earnings decline is stronger than expansion in multiples," says one who manages about $500 million handful of French customers. "I'd h rather pay 18 times earnings for umberger, which will grow 20% a , than 9 times earnings for some- g else that won't. If I'm wrong on my ng and the multiple drops by half, years later earnings growth will have e up the difference."

here are, of course, other approaches. gg Bank, a tiny institution known locally for its U.S. expertise, has, like many American investors, discovered the Sunbelt. "In your South and West we see a robust economy that impresses us very much," says Sibylla Sonnenthal, a partner who visits the U.S. regularly. "Then you get to Washington and New York and you wish someone would chop off the East Coast." As a result, her firm keeps a full-time scout in North Carolina who seeks out small, fast-growing public companies. At the moment, Rüegg clients hold such off-the-beaten-path stocks as Arkansas Best, a regional trucker; Ernest W. Hahn, a California shopping center developer; and Kentucky Central Life Insurance. "We do our own research because we want stocks we think will double or triple," she says. "That offsets any currency risk." A current pick: Great Lakes Dredge, which stands to benefit from new restrictions on the Army Corps of Engineers.

Such exotica, however, aren't as useful for the giant Swiss banks, which must think in billions, not millions, and their research departments regularly comb the heavily traded stocks for investment opportunities. At Crédit Suisse, Urs Enderle heads a six-man unit that specializes in U.S. equities, and the issues he picks go on a recommended list for the bank's legion of portfolio managers. Enderle likes what he calls "tarnished" blue chips. Schering-Plough, for example, trades at half the multiple of rival SmithKline, and he considers it a far better value. Similarly, he is enthusiastic about American Express despite the chorus of analyst complaints about its vulnerable credit-card and traveler's-check businesses. Among retailers, all expected to be hurt by a coming dip in consumer spending, he thinks K mart will fare surprisingly well because of a product mix that lacks big-ticket items.



Not all of Zurich's banks are anonymous
Its Bahnhofstrasse is the Swiss Wall St.

Despite these pockets of optimism, Swiss money managers are far from bullish on America. Edwin Wydler runs the U.S. portfolio for Swiss Re, an insurance company with $6.3 billion in assets. A hefty portion of its funds are invested in Wall Street, not because Wydler is especially optimistic but because his company needs dollar holdings to cover its substantial dollar obligations. "As the last bastion of capitalism, the U.S. certainly isn't setting a good example," he complains. "Look at the auto industry. You've got fuel-economy regulations, price controls on gasoline and the Department of Energy printing ration coupons. The government is replacing the marketplace with central planning."

Dr. Peter Wälli supervises North American holdings in nearly $36 billion worth of pooled accounts for Union Bank, and he worries, too.

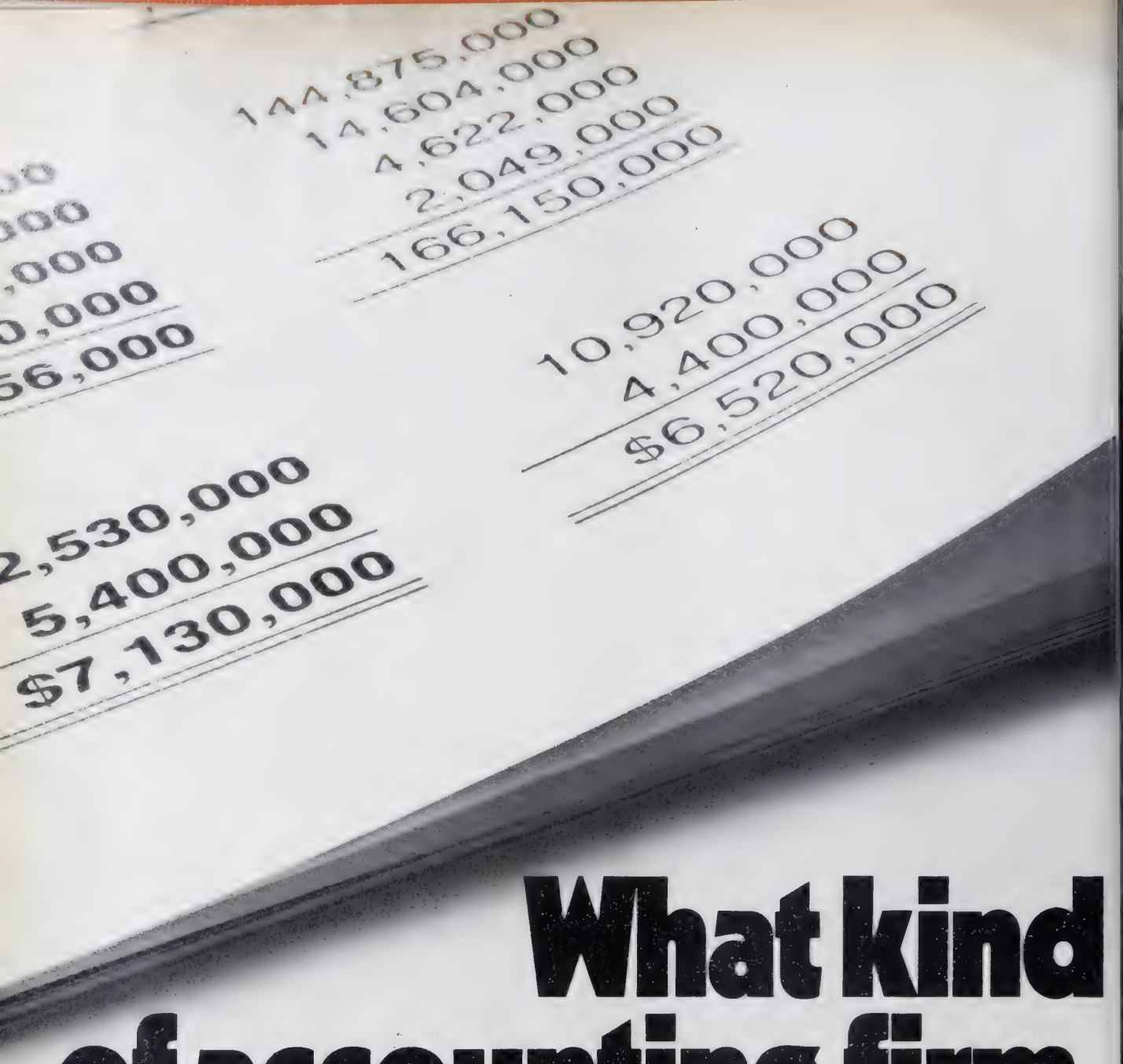
"We think your recession will be worse than most people assume, and at first the slowdown will help the stock market," he says. "The reaction, however, could be dramatic. Suppose the Administration panics with the primaries coming up and pressures the Fed to start churning out dollars? If the money supply jumps for a couple of weeks, there'll be another panic." Clucks Dr. Thomas Schlieper at J. Vontobel & Co., private bankers: "Carter has to improve his image to win the 1980 election; that means cheap money and high inflation."

So, what's new? Not much. Swiss bankers are like the rest of us. Worried about inflation in the U.S., yearning for more of what used to be called fiscal responsibility and seeing a smidgen of hope in the Sunbelt. As long as inflation remains high they are not impressed by the rising earnings of U.S. corporations; the earnings are not real.

Maybe the Swiss bankers are right. They weren't right, of course, in the Sixties and the early Seventies. Maybe they are wrong again. A lot of us hope so.

We'll conclude on a cheerful note: Dr. Hans-Conrad Kessler took a little list along last month when he spoke to a convention of well-heeled German doctors. Kessler is a senior vice president at Swiss Bank Corp. responsible for billions of dollars in investments, and his list sports 25 U.S. stocks—ranging from Boeing to Xerox—that would have netted their owners a handsome profit over the previous 12 months despite the dollar's sharp drop against the Swiss franc and German mark. "U.S. corporate earnings were up 20% in 1978 and dividends, 10%," he says. "Unfortunately, the market didn't react to this fantastic news. But we've changed our policies and we're buying American stocks."

If a few dozen other key people start thinking like that, we could have a flood of Swiss money on Wall Street. ■



What kind of accounting firm doesn't stop at the bottom line?

© 1979 Deloitte Haskins & Sells, 1114 Avenue of the Americas, New York, N.Y. 10036

The bottom line isn't the only thing you have to think about in your business.

And it shouldn't be the only thing your accountant thinks about.

In our view, an accounting firm owes a client something more than a signature for the annual report.

Just as important as that signature is some innovative thinking about your business, and ways to improve it.

Which means what, exactly?

Well, among other things it means helping you evaluate your internal accounting controls. (We have some unique decision tables that are useful in this connection—with the Foreign Corrupt Practices Act, you may well need them.)

It means having people who understand the accounting practices of your industry—and even more, who understand what your business is all about.

It means having the tax know-how to balance your depreciation deductions against your investment tax credits, and make the most of each.

At Deloitte Haskins & Sells, it means all this and a whole lot more.

When all is said and done, nobody who's anybody in business thinks only about the bottom line.

As accountants, we think our job is to go beyond it.

Deloitte Haskins+Sells

Beyond the bottom line™

"Every man for himself!" shouted the elephant as he danced amc the fleas. As old guidelines become increasingly irrelevant, so regional banks are beginning to feel like fleas.

Everyone is stepping into everyone else's turf

THE BANKING INDUSTRY, a relatively quiet backwater for decades, is in turmoil. Competition, from which banks previously were sheltered, is beginning to assail them on all sides. At the same time, banks themselves are getting new opportunities. The walls that previously enclosed banking are crumbling. The business is becoming a free-for-all.

Within a year you may find yourself doing some of your banking at Sears, Roebuck & Co. or at Boston's Fidelity Management & Research Co. Conversely, you may be doing your investment management business through bank-related Provident Capital Management Inc. of Philadelphia or Western Asset Management Co. of Los Angeles.

Deposit-taking has been the exclusive province of local banks since the McFadden Act of 1927 halted interstate banking. Consequently, a salesman from Citibank or Bank of America can travel from coast to coast offering to lend money. But he dare not accept a penny of deposit from a humble worker or a giant corporation outside the prescribed geographic limits of his home bank. Loan production offices—yes. Deposits—no.

Deposit-taking may still be restricted to banks and savings institutions in law, but in fact, the use of innovative techniques has permitted others to achieve the same result. For example, Sears, Roebuck plans to sell small-denomination certificates to attract public savings. With 20 million credit cards out, the retailer has a marketing head start. Is this deposit-taking? If not, what is it? You can already telephone Fidelity in Boston on a toll-free number and buy shares in a daily-income money market fund with free checking withdrawal. Cash balances awaiting reinvestment will earn interest comparable with current short-term money market rates. Merrill Lynch uses a cash management account concept to provide yield through a money fund. The client takes a small market risk if short-term interest rates change. Is Fidelity a bank? A brok house? A money management out is becoming something of each. M while, a suggestion by a Dreyfus executive to Citibank officials v make it possible for you to go to a bank teller machine and put mone or take it out of your Dreyfus m market fund.

And new opportunities are openi for the banks themselves. The scarcely a major city in the U.S. does not have offices where large o state banks offer loans, leases and in ment credit. Their Edge Act subsid may soon be taking some U.S. dep too. The influx of foreign banks h also serving to break down the ol riers between banking and other f cial services. Deutschebank, Germ largest, owns Atlantic Capital Co U.S. investment banking firm. Fi the largest European banks own partners Securities Corp., a memb the New York Stock Exchange. The

A few superlatives

Below, performance highlights of the 100 largest bank holding companies drawn from the tables on the following pages.

Biggest—fastest			**Smallest—slowest**	
BankAmerica (Calif)	$94,902	**Total bank assets—1978**	Amer Security (DC)	$2,078
Mercantile Texas (Tex)	41.0%	**Growth of assets*** Industry median: 8.2%	Indiana Natl (Ind)	-0.9%
Industrial Natl (RI)	44.1	**Growth of earnings per share*** Industry median: 9.8%	Fidelcor (Pa)	P-D
Republic New York (NY)	18.2	**Four-year return on equity*** Industry median: 12.1%	Hartford Natl (Conn)	deficit
Bank of Virginia (Va)	6.27	**Net interest margin—1978** Industry median: 4.46%	Bank of Tokyo Trust (NY)	2.31%
J P Morgan (NY)	$26,017	**Market value of trust assets—1978**	Hartford Natl (Conn)	$2,202
J P Morgan (NY)	117	**Trust department income—1978**	Boatmen's Bancshs (Mo)	5

Note: $ values in millions. * Compounded annual rate 1978/1974. P-D: Profit to deficit.

f Warburg Paribas Becker Inc. is in
h banking. Such breaches in the
give our big bank holding companies
ng argument to be permitted simi-
entures into nonbanking services.
us the big banks like the new com-
ive situation. They have no trouble
ng their own against foreign compe-
and are hardly panicked by Sears,
uck. Smaller regional banks, howev-
re in a less happy position. They
tended to depend on legal restric-
, local ties and faithful demand de-
ors to give them something of an
in competing with the giant banks.
hese advantages are eroding.
is not surprising, then, that giant
ey center banks have tended to grow
r than many of their smaller rivals. As
igures on the following pages show,
America (assets, $94.9 billion); Citi-
(assets, $87.2 billion) and Continen-
inois (assets, $31.1 billion) are among
astest-growing bank holding compa-
BankAmerica noses out almost all
rs with its 16.4% annual growth of
ngs over the past four years. Highly
aged Citicorp has achieved a 10.5%
al increase over four years. Continen-
earnings are up 13% a year.
ost analysts would agree with the
ast of Merrill Lynch's Vice President
s H. Wooden that bank earnings this
will be 10% to 15% above the success-
078 results. Banks will have no trouble
the anti-inflation guidelines of the
ncil on Wage and Price Stability,
den argues. If there is a fly in this
cular ointment, it is that bank stocks
un distressingly cheap. Citicorp, for
nple, sells at less than 5.5 times ex-
ed 1979 earnings. The price/earnings
iples for New York City bank stocks
5.3 times estimated 1979 earnings,
rding to Irving M. Geszel, general
ner of Bear, Stearns & Co. This would
e New York City bank multiples at
lowest level since S&P started a
ial index for them in 1957.
e stock market is probably reacting
e uncertainty that comes from the
kdown of the comfortable old certain-
of banking. Uncertainty is going to
in the rule in the banking business for
oreseeable future. The old certainties
based on things like the Glass-Stea-
Act, which is about as relevant to
nce in 1979 as the old blue laws are
ant to modern social conduct. Money
o longer money—something you
h, hold and pass on. It is just a number
computer somewhere, and if it
ges hands it does so as an electronic
ulse in a Marshall McLuhan-esque
d. Hence the uncertainty—which
y banks may not survive, while others
profit handsomely. ■

The 50 largest trust operations

Sluggish stock and bond market performances held back expansion of assets under trust management in 1978. Raiding of accounts by outside money managers also played a significant part in holding down the growth of assets under management. These factors, however, did not cut into earnings of trust departments, which advanced substantially.

1978 rank	Company	Market value of trust assets* (millions)	Trust department income— Total (thousands)	% change from 1977	% of total operating income
1	J P Morgan	$26,017	$116,786	8.3	4.8
2	Citicorp	19,694	80,476	17.9	1.1
3	Bankers Trust	13,043	56,361	13.0	2.9
4	Mellon Natl	11,727	22,822	8.6	2.8
5	Harris Bancorp	11,105	28,063	8.6	6.7
6	Manufacturers Hanover§	9,871	45,532	8.6	1.7
7	Chase Manhattan	9,360	60,578	2.0†	1.4
8	U S Trust	9,240	46,969	2.1	30.9
9	Natl Detroit	9,029	22,769	10.2	3.7
10	Northern Trust	7,487	38,447	15.1	10.7
11	First Bank System	7,238	26,772	14.1	3.4
12	Chemical New York	6,916‡	39,641	5.1	1.6
13	Continental Illinois	6,908	34,521	1.3	1.6
14	Western Bancorp	6,726	34,136	7.2	1.7
15	First Chicago	6,698	33,488	2.9	1.8
16	Wells Fargo	6,474	24,107	11.4	1.6
17	The Boston Co	6,330	23,755	–1.8	78.1
18	First Natl Boston	6,156	31,056	4.0	2.7
19	Wilmington Trust	6,101	9,684	14.6	8.9
20	BankAmerica	5,998	49,319	12.2	0.7
21	Bank of New York	5,579	42,946	11.9	8.6
22	Crocker Natl	4,934	19,033	–4.9	1.7
23	Provident Natl	4,731	15,392	7.9	9.0
24	CleveTrust	4,629	21,442	7.7	5.6
25	Northwest Bancorp	4,212	21,970	10.4	2.5
26	Citizens & Southern Natl	4,122	9,862	–1.8	3.0
27	Capital Guardian Trust	4,030	9,045	34.0	98.4
28	Marine Midland	4,000	17,052	3.5	1.7
29	Girard	3,850	16,867	9.2	5.5
30	Fiduciary Trust Co of NY	3,838	13,851	20.6	81.3
31	Security Pacific	3,723	26,812	12.4	1.5
32	First Union Bancorp	3,409	13,192	5.8	5.3
33	First Intl Bancshs	3,385	13,988	7.0	1.9
34	Natl City	3,107	11,229	12.0	4.0
35	Republic of Texas	3,094	15,304	9.5	2.4
36	Wachovia	2,966	14,096	10.0	4.4
37	Charter New York	2,844	22,603	6.3	2.5
38	DETROITBANK	2,827	12,655	10.1	3.7
39	Manufacturers Natl	2,724	6,697	6.4	2.2
40	First Pennsylvania	2,656	12,702	11.2	1.7
41	Trust Co of Georgia	2,582	12,594	12.7	6.0
42	Boatmen's Bancshs	2,490	4,883	11.8	4.4
43	Lincoln First Banks	2,483	11,836	10.5	4.8
44	First Wisconsin	2,476	10,395	6.7	3.2
45	Mercantile Bankshs	2,323	11,840	8.2	13.3
46	Mercantile Bancorp	2,316	9,025	5.8	3.3
47	Pittsburgh Natl	2,293	15,195	4.3	4.8
48	State Street Boston	2,249	17,834	11.4	10.0
49	American Fletcher	2,245	5,241	20.6	2.6
50	Hartford Natl	2,202	11,504	1.9	7.0

* Includes only accounts over which the bank exercises investment discretion. † Gain adjusted for accounting change from cash basis to accrual basis. ‡ Estimated by company. § Excludes assets of Lionel D. Edie & Co. acquired Dec. 29, 1978.

100 largest bank holding companies

Rank	Total assets	Total deposits	% Demand deposits	Total loans	Loan loss reserve—% of loans	Charge-offs	Total investments	Total capital	Debt as % of capital	Total operating income	Net income‡	Company and headquarters
					1978 Size measures ($ millions)							
51	$3,954	$2,907	54.1	$1,967	2.1	$40.5	$496	$224	12.1	$332	$9.3	Citizens & Southern NB
52	3,885	2,753	42.7	1,926	1.2	6.5	678	303	32.1	277	27.0	Mercantile Bancorp (Mo)
53	3,499	2,333	42.9	1,702	1.2A	2.0A	560	238	14.2	249	25.1	First Union Bancorp (Mo
54	3,347	2,416	12.3	1,607	2.1	4.0	460	290	32.6	262	28.1	Republic New York (NY)
55	3,252	2,377	32.8	2,059	1.0	4.0	415	370	41.4	283	32.0	First Security (Utah)
56	3,248	2,418	41.9	1,776	1.3	4.8	661	236	36.8	258	17.2	BanCal Tri-State (Calif)
57	3,216	2,223	39.4	1,971	0.9	11.3	373	259	27.0	265	21.6	Maryland Natl (Md)
58	3,174	2,714	40.9	1,508	1.3A	7.1	1,033	266	27.0	258	24.7	Barnett Banks of Fla (Fla)
59	3,153	2,234	44.2	1,292	1.6	4.3	667	250	34.6	202	20.8	Centran (Ohio)
60	3,140	2,450	39.4	1,908	1.1	6.9	547	296	43.0	266	25.6	United Virginia Bankshs
61	3,135	2,345	35.0	1,850	1.1	6.1	576	269	39.2	249	18.7	Lincoln First Banks (NY)
62	3,077	2,392	42.3	1,408	1.3	3.3	713	224	19.2	211	22.8	Southwest Bancshs (Tex)
63	3,011	2,130	57.4	1,480	1.3	12.6	257	237	39.0	235	14.8	First Natl Holding (Ga)
64	2,952	2,349	35.9	1,817	1.0	33.0	384	223	37.5	250	–13.4	Fidelcor (Pa)
65	2,925	2,454	24.7	1,566	1.1	0.2	568	210	22.8	175	12.4	Bank of Tokyo Trust†† (N
66	2,891	2,184	46.1	1,390	1.7	1.6	409	178	18.6	221	10.1	Shawmut (Mass)
67	2,878	2,265	38.2	1,463	1.0	2.5	666	214	31.2	202	15.7	First Natl State Bancorp (
68	2,859	2,528	33.9	1,850	1.0	1.3	484	172	31.6	228	16.3	California First Bank‡‡ (C
69	2,828	2,006	43.7	1,484	1.4	6.5	549	242	44.2	231	19.4	First Union (NC)
70	2,818	1,861	20.6	1,697	1.4A	9.3A	602	274	43.6	248	20.2	Industrial Natl (RI)
71	2,717	2,219	52.2	1,150	1.4	15.3	255	117	32.2	164	6.6	Hartford Natl (Conn)
72	2,711	2,241	38.0	1,426	1.0	6.7	786	178	11.3	207	18.0	BayBanks (Mass)
73	2,613	1,865	58.5	1,258	1.4	6.4	332	185	24.9	211	20.3	Trust Co of Georgia (Ga)
74	2,581	2,016	24.0	1,341	1.0	7.5	861	162	28.5	212	9.1	Equimark (Pa)
75	2,522	1,915	47.5	1,509	1.0A	8.5	356	174	31.0	211	12.5	CBT (Conn)
76	2,473	1,617	34.0	1,233	1.2	7.5	565	165	19.0	201	16.5	American Fletcher (Ind)
77	2,425	2,032	43.5	1,154	1.3	4.4	409	158	5.4	159	18.6	Riggs Natl Bank‡‡ (DC)
78	2,415	1,996	37.3	1,465	1.0	5.9	483	206	37.9	207	18.8	Virginia Natl Bankshs (V
79	2,413	1,940	42.4	1,333	1.6	1.6	502	202	7.5	167	20.8	Commerce Bancshs (Mo
80	2,392	1,898	42.7	1,414	1.5	3.3	467	223	27.2	186	24.5	Alabama Bancorp (Ala)
81	2,385	1,895	38.0	1,462	0.9	6.8	500	157	34.5	175	11.7	United Jersey Banks (NJ)
82	2,346	1,845	42.0	1,322	1.2	4.0	429	214	27.2	176	19.3	Texas Amer Bancshs (Te
83	2,346	1,863	41.0	1,286	1.4	4.8	487	172	23.3	171	15.8	Midlantic Banks (NJ)
84	2,336	1,914	42.3	1,384	1.4A	5.2A	437	213	32.2	195	18.8	First Tennessee Natl (Ten
85	2,323	1,739	52.2	1,277	1.0A	2.9A	263	158	23.2	175	16.8	First Natl Bancorp (Colo)
86	2,279	1,884	30.1	1,277	1.5	5.7	593	187	27.3	181	17.5	Society (Ohio)
87	2,261	1,982	43.3	1,202	1.2	4.3	648	186	20.1	182	17.1	Sun Banks of Florida (Fla
88	2,243	1,833	36.1	1,242	1.1	4.2	466	162	15.3	178	18.8	Huntington Bancshs (Oh
89	2,221	1,477	49.8	958	1.7	10.7	403	196	39.2	178	8.7	State Street Boston (Mas
90	2,217	1,548	41.0	1,257	1.6	1.9	509	213	17.7	171	19.8	Provident Natl (Pa)
91	2,197	1,856	37.4	1,294	1.2	4.6	463	213	23.1	183	26.2	First Banc Grp of Ohio (C
92	2,182	1,751	44.9	1,252	1.3	1.8	535	193	6.1	150	20.7	Fidelity Union Bancorp (
93	2,161	1,845	42.2	1,162	1.1	2.2	584	175	16.2	167	13.5	Fin Gen Bancshs (DC)
94	2,154	1,560	41.5	1,214	1.3A	5.7	330	179	36.1	177	11.8	First & Merchants (Va)
95	2,120	1,602	27.8	1,496	1.1A	11.9A	308	233	45.4	204	13.6	Bank of Virginia (Va)
96	2,117	1,712	47.1	1,214	1.0	4.8	327	175	30.9	170	16.2	United Banks of Colo (C
97	2,106	1,792	38.5	913	1.0	11.2	594	125	21.4	162	12.4	Banco Popular‡‡ (Puerto
98	2,104	1,406	47.2	1,028	1.6	3.2	377	173	37.8	171	1.1	Indiana Natl (Ind)
99	2,099	1,641	37.7	1,110	1.0A	2.6A	535	173	22.2	158	18.9	Central Bancorp (Ohio)
100	2,078	1,646	32.3	1,243	1.1	0.6	337	152	6.2	144	19.4	American Securities (DC
			37.8		1.2				27.9			MEDIANS

‡ From continuing operations before security gains or losses and extraordinary items. †† Privately owned; stock data not available. ‡‡ Bank only; i organized as a holding company. A. Includes leases.

statistical profile

Growth measures*						Profitability & cost measures			Stock data			
ge assets 1978 vs 1977	Equity per share 4-year average	Earnings per share† 1978 vs 1977	Earnings per share† 4-year average	Earnings per share† 1978 vs 1977	Dividend 4-year average	Return on equity 4-yr avg	Net interest margin§ 1978	Overhead times NI 1978	Recent price	1978 EPS†	P/E ratio	Current yield
7.6%	–2.1%	6.0%	3.1%	D–P	D	4.1%	5.03%	14.8	5¼	$0.35	16.4	none
11.8	6.0	7.0	6.1	16.9%	1.5%	13.5	3.85	3.0	25¼	4.56	5.6	9.0%
14.8	7.5	8.1	11.8	10.6	3.6	12.8	3.87	2.9	27	5.34	5.1	7.4
28.2	14.4	13.6	8.6	18.5	E	18.2	3.15	1.6	35⅝	7.06	5.0	5.6
17.2	12.0	13.7	12.9	8.8	9.9	17.3	4.84	3.0	19⅝	2.71	7.2	4.4
–2.1	3.6	–2.9	24.1	–39.0	–15.3	8.9	4.53	63	18⅞	3.68	5.1	4.9
6.5	9.1	9.0	4.1	12.5	3.0	12.5	5.31	4.7	15	2.96	5.1	5.1
14.6	5.6	9.3	8.5	48.9	4.6	9.6	5.58	4.9	19¼	2.74	7.2	4.5
19.8	6.7	7.0	4.9	17.3	3.8	12.1	4.42	3.6	24⅞	4.67	5.3	8.7
12.0	6.9	9.8	13.4	29.2	3.6	11.5	5.02	4.7	23⅛	4.12	5.6	6.2
5.7	3.7	5.5	9.2	28.7	0.0	9.8	4.47	5.5	28	4.53	6.2	6.7
12.5	8.2	9.2	17.1	17.1	3.5	12.7	4.57	2.8	23½	3.69	6.4	5.3
12.3	4.3	3.7	9.8	11.9	1.8	9.5	5.20	6.3	14	2.25	6.2	6.0
–2.0	–2.0	–11.3	P–D	P–D	–22.4	4.9	3.40	def	12⅝	–2.70	—	none
16.0	14.3	9.0	10.3	20.1	—	8.7	2.31	1.6	—	—	—	—
6.4	2.6	5.3	–0.7	24.5	–11.4	4.7	3.34	9.2	32¼	4.93	6.5	6.8
11.0	4.3	5.4	2.9	19.3	0.0	10.3	4.16	4.5	23¼	3.84	6.1	9.5
14.2	2.9	10.1	9.3	27.6	17.6	12.0	4.88	5.7	17	2.87	5.9	6.4
10.7	5.4	10.2	13.4	69.4	0.6	9.5	5.02	5.1	14⅜	2.71	5.3	6.4
13.3	7.5	7.7	44.1	12.9	2.4	12.2	4.10	3.8	17⅝	3.15	5.6	8.2
3.9	–4.3	10.0	–4.2	89.5	–12.6	def	4.15	9.7	16⅛	2.35	6.9	7.4
12.2	5.3	7.8	4.5	36.0	2.7	10.1	5.15	4.8	31	5.93	5.2	7.4
15.0	4.1	10.4	10.0	56.4	2.8	9.2	5.99	4.9	29¼	4.05	7.2	5.1
9.5	2.7	–5.3	–7.5	–13.9	2.9	10.4	2.95	6.4	11¼	2.11	5.3	8.5
11.8	4.4	5.8	–0.4	18.1	1.0	9.2	4.97	7.3	24¼	4.30	5.6	8.2
4.0	6.6	10.8	6.5	35.2	0.4	11.3	3.98	3.6	17½	3.84	4.6	6.6
15.7	6.6	7.6	0.2	20.0	7.9	12.1	4.79	2.8	41¼	6.05	6.8	5.8
8.6	7.9	10.4	8.8	29.5	4.5	13.3	5.72	4.8	13¾	2.72	5.1	7.3
11.6	7.5	5.5	15.3	16.5	8.6	11.8	5.56	3.0	24¼	4.53	5.4	5.9
14.4	8.9	10.5	11.5	21.7	5.2	15.0	5.28	2.8	22¼	3.31	6.7	5.6
5.7	3.9	5.8	10.7	26.0	0.0	10.1	4.15	5.5	11⅜	2.13	5.3	9.1
14.7	10.2	11.1	12.9	21.8	8.9	11.7	4.80	3.1	25½	4.13	6.2	4.2
10.7	2.8	6.5	3.3	50.3	0.5	8.8	5.16	4.7	27¾	4.93	5.6	7.8
7.3	6.2	10.5	21.6	43.2	4.3	9.7	5.26	4.2	11⅝	2.12	5.5	6.2
13.0	8.2	11.2	6.3	33.3	3.4	12.7	5.59	4.4	16¼	3.60	4.5	6.4
9.9	8.5	8.2	14.1	10.7	11.9	12.1	4.79	4.0	20	4.05	4.9	6.0
14.0	3.0	8.2	7.3	54.4	2.5	7.2	5.31	5.3	13	1.59	8.2	5.5
19.1	7.9	11.0	13.1	26.1	4.7	12.1	5.09	3.6	33¼	6.42	5.2	5.3
3.2	1.5	4.3	–7.4	157.1	–12.6	5.4	4.54	10.1	23	3.60	6.4	7.0
7.6	5.5	6.0	15.8	91.7	1.6	8.3	4.84	3.3	28	4.62	6.1	7.5
13.1	10.4	12.0	12.7	15.1	10.6	16.4	6.10	2.6	27½	4.05	6.8	6.0
16.9	5.8	6.6	3.9	18.6	3.2	11.6	5.62	3.0	31¼	5.43	5.8	8.3
9.6	8.3	9.1	43.4	24.5	6.2	10.8	5.31	5.9	13	2.03	6.4	3.1
6.7	5.0	6.1	4.4	21.0	0.0	9.8	4.61	6.3	18¾	3.51	5.3	7.8
9.0	5.4	7.0	5.2	9.7	2.7	10.3	6.27	6.2	13¾	2.82	4.9	7.6
18.5	6.7	9.1	13.8	6.0	4.7	13.4	5.87	4.2	24½	4.08	6.0	6.0
43.1B	7.3	10.0	9.8	45.3	6.2	11.6	5.10	5.8	22¼	4.33	5.1	5.8
5.3	–0.7	1.1	–41.5	–77.1	D	3.6	4.45	53.1	10¾	0.22	48.9	3.7
26.2	8.3	8.7	11.1	17.3	10.1	14.2	5.09	3.2	27¼	3.73	7.3	6.4
25.7	8.8	9.1	8.2	9.7	4.9	15.0	4.19	1.7	29½	5.30	5.6	6.8
12.5	**7.3**	**8.7**	**9.8**	**21.0**	**3.9**	**12.1**	**4.46**	**4.1**	—	—	**5.9**	**6.2**

ear average equals a compounded annual rate: 1978/1974. † From continuing operations after security gains or losses excluding extraordinary items.
t interest income on a taxable equivalent basis as a percentage of average earnings assets. D–P: Deficit to profit. P–D: Profit to deficit. def: Deficit.
rowth based on year end assets. D: No dividend in 1978. E: No dividend in 1974.

BUILDING CONTROL.

How Honeywell's BOSS service helps Fidelity Plaza save — enough to run one-fourth of their building free.

(ou don't have to own a huge lding to benefit from a neywell energy management tem. In fact, you don't even e to own the system. Using SS, Honeywell's unique time-red energy management vice, the Fidelity Plaza lding in Oklahoma City es over 25% on yearly rgy costs.
ust a few weeks of energy ings pay for a full year of vice. And, as you'll see, that's y a part of the savings story.

ow BOSS can work for you.

Using advanced automation hniques, a highly skilled neywell energy manager is your building's total ironmental system—ting, cooling, lighting. He es it by remote control from neywell's BOSS command ter nearby.
Every day, around the clock, monitors energy usage, cks temperatures, starts and ps equipment. All according to a plan designed to fit your specific needs. He'll also report any equipment problems quickly for corrective action.

Count the ways you save.

Energy savings: 20 to 30% savings are common in most buildings with Honeywell automated control. With no sacrifice of occupant comfort.

Manpower savings: With mechanical systems operating automatically, your service staff can be assigned other duties such as maintenance. And your building's energy manager is on our payroll, not yours.

Equipment savings: Efficient usage and reduced running time extends the operating life of expensive mechanical equipment.

Administrative savings: BOSS logs and reports help you cut waste, manage manpower more efficiently, plan and keep to budgets. In total, you have closer, more cost-effective control of your building's operation.

Low cost, fast pay back.

Because you share this Honeywell control system with other buildings in the area, the cost of BOSS service is remarkably low. Like computer time-sharing, it requires no major capital investment. After moderate start-up expenses, you pay only one monthly service fee. All the rest of the savings go straight to your bottom line.

Get the facts — at no obligation.

Whether you should choose service—as Fidelity Plaza did —or buy your own Honeywell energy management system depends on your building's requirements. Let us give you the facts to help you decide. Write now to: Mr. J. H. Jester, Vice President, Sales and Marketing, Honeywell Building Services Division, Dept. 04D14, Honeywell Plaza, Minneapolis, MN 55408.

From the most complex computer systems to the simplest controls, providing better ways to help you control your business has always been our business at Honeywell.

Honeywell

Avon is tops in one kind of marketing. With the acquisition of Tiffany it is tops in yet another kind. And now. . . .

Avon calling . . . with acquisition still on her mind

By Nick Galluccio and Alyssa Lappen

DAVID W. MITCHELL, 51, Avon Products chairman and CEO, is walking a tightrope these days. Last year Avon's sales were up 22%, reaching $2 billion for the first time, and net profit hit a record $228 million, or $3.92 a share, up 19%. This year looks good again; analysts predict another earnings gain, this time of 12%, to $4.40. But Mitchell, who has been in sales and marketing almost all his working life, knows that the company's remarkable success selling cosmetics and toiletries door-to-door to middle-income families is neither foolproof nor cycleproof. To keep Avon at the top of the $8 billion industry is going to take new products, new marketing approaches and more money than it used to.

At the very pinnacle of its prosperity, Avon wants to avoid the kind of overconfidence that afflicted it in the early Seventies, causing its earnings gains to falter in 1973, stumble in 1974 and helped precipitate its shares into a downward spiral that carried them from 140 in 1973 to 19 in 1974. A good manager knows that the time to worry is when everything seems to be going well. David Mitchell, who joined Avon as an office clerk out of high school in 1947, shows all the signs of being a good manager.

With runner-up Revlon, Inc. and hosiery maker Hanes, now a division of powerful Consolidated Foods Corp., planning new cosmetics lines to be distributed through supermarkets, Avon is going to see big-time marketing power and products aimed at the same customers that the Avon lady has been selling at home. Needless to say, Avon is not just standing by and watching. Mitchell has got the company moving into new kinds of products and a major diversification. He is trying to get those Avon saleswomen to ring those doorbells harder and move more merchandise. That costs a lot of money, especially for a high-turnover sales force that has just come off a year of record output *(see box, p. 145)*.

A tip-off to the effort Mitchell has launched can be seen in what has been happening to pretax income as a percentage of sales. Normally in the cosmetics business, margins might be expected to widen with a big increase in sales. But last year, far from widening, Avon's margins actually fell a bit—to 22.6% from better than 23% in the two previous years. Nor has the sales boost led to increased cost efficiencies. Marketing, distribution and administrative costs were 43 cents on the sales dollar, just about the same as 1973-76.

When Mitchell moved up to CEO in 1976, he inherited the job of rebuilding a sales organization that had been decimated by the recession of 1974. Mitchell's predecessor, Fred G. Fusee, w chemist who came out of produc Around headquarters in those Avon's saleswomen were known r contemptuously as "ding-dongs"— ple who would accept low mon rewards because they worked fo love of it. Times were changing with them women's expectations the old management failed to u stand that. Didn't the multiple of its stock confirm that Avon's for was timeless and infallible?

But when sales collapsed durin recession as the discretionary incor Avon's customers vanished, so did of Avon ladies. When the stock ered, the magic went the way of fan

To turn things around, as Mit points out, Avon first tried cutting p instead of focusing on the sales "But it didn't work," says the tall, p spoken CEO. "The lesson we le was that we should put more m behind recruiting, incentive-boo and recognition of our sales force an try to superdiscount our products items we did sell were just not as p able as they had been in the past."

In short, Avon learned to respe salespeople and to understand that tivated sales force was more impo than pricing in its business.

To get his people to work their tories harder, Mitchell is cuttin number of households in a territory 200 to 150 on the assumption that ing the surviving doorbells more will produce more sales. That wa stick. The carrot was morale boosti

Avon also nearly tripled U.S. adv ing and promotion since 1973 and bled it overseas, where it gets over

David W. Mitchell of Avon Products
Trying a little tenderness.

Newsweek
INTERNATIONAL

data
center

The Source.

Introducing the Newsweek International Data Center—an exclusive and comprehensive media/marketing research resource for international advertisers.

There's never been anything quite like it—a computerized repository for the diverse media/market data so valuable to multi-national business: statistical tracks on major product use, market composition and media habits of key consumers.

But now there is.

We at Newsweek International have gathered together the major media/market studies of Europe, Asia, the South Pacific and the Middle East.

With retrieval access to this data in New York and London, we can immediately turn your media/marketing queries into hard, useful facts.

And at no charge whatsoever.

Exclusive and Extensive Data

Much of this data is exclusive to Newsweek International, like the Asian Profiles study of 1976. For the first time, those of you who market in the eight major cities of Asia have access to a definitive study of the lifestyles and media habits of Asian executives.

There's more. We've included data from other, equally reliable sources:

The recently completed Pan European Survey, perhaps the first—and certainly the most comprehensive—study of European executives which sets aside the limitations of national boundaries.

The Australia-wide survey of readership of magazines, by the Roy Morgan Research Centre

The McCann-Middle East media study ...the only definitive media research yet done in the Middle East.

All of this data is now available to you, without charge.

Telephone Link to the Data Center

You simply call your Newsweek International representative and pose your problem.

He then becomes the liaison between you and the Data Center. With startling immediacy, you'll have the information you requested on your desk, ready to feed into the decision-making process.

An Extraordinary Magazine Service

Only Newsweek International offers this unique service to the international marketing community.

As far as we know, there's nothing quite like it in all the world: a comprehensive media/market research bank open to international marketers without charge.

But then again, there's nothing quite like Newsweek International itself...a magazine of global scope and universal authority...received, read and responded to by nearly two million key international consumers each and every week.

And ready...with data and with prospects...to help you sell in any of these major world markets.

Grace Reiner, your Newsweek International representative in New York. Call 212/350-2556.

SALES OFFICES New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

How to put your building on a strict Btu diet.

Energy, as we all know, is money. It disappears faster than we can put our fingers on it.

Soon, every one of us is going to have to start budgeting energy. The high costs of energy, as well as government regulations, are going to demand a strict accounting of the way our buildings consume energy.

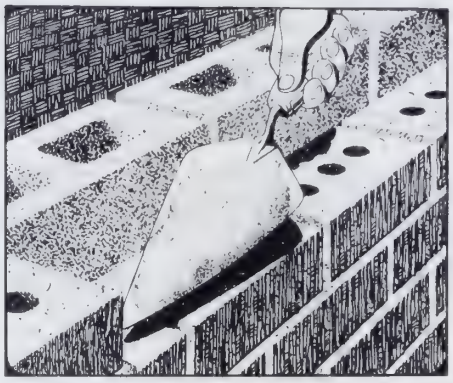
But there are ways to make a Btu stretch farther. We believe there are four important things that every business manager should know about cutting down energy expenditures:

1. *To do a good job of saving energy, you have to be concerned with the energy performance of the entire building,* not just a component like the walls, or a single system like heating and cooling.

Every facet has to be taken into account. The mass, or weight, of the walls, proper insulation, heating and cooling systems, air infiltration through doors and windows, water and lighting systems—all are critical.

Building performance standards that take this overall "thermal performance" (measured in Btus—British thermal units) into account are the best kind of standards. They give designers and builders freedom to use their skills and ingenuity. They encourage such things as proper solar orientation of buildings, reduced air infiltration and efficiently-sized mechanical equipment. A true "performance standard" simply sets an energy conservation goal, expressed as an energy budget for an entire building, and then permits that goal to be achieved by the designer, builder, and owner in whatever ways they can devise.

2. *We can use the sun's energy to cut energy costs.* There are both "active" and "passive"



solar collectors. "Active" solar collectors collect energy from the sun and then use mechanical equipment such as pumps or fans to distribute that energy. "Passive" collectors simply collect the sun's heat and hold it until it is released by radiation or conduction.

No materials serve as "passive" collectors better than masonry—brick, concrete block, stone.

Passive solar collectors have many advantages over active solar collectors. They have no working parts—nothing to go haywire. They are simple to design and build—and they are more economical.

3. *Massive walls of masonry, even when they're not designed as passive solar collectors, keep buildings warmer in winter, cooler in summer.* Because of their weight, or mass, masonry walls act like thermal blankets. In many cases, masonry walls will mean that heating/cooling systems can be reduced in size.

4. *Insulation is important when properly used, and when its limitations are understood.* We are still learning about the limitations. It's already clear that insulation is cost-effective only when used with restraint. After a certain point of thickness has been reached, the cost of additional insulation will no longer be recovered in energy savings.

And it's becoming clear that some assumptions made in the past about insulation are not justified. For example, there are indications from preliminary studies that in regions where more energy is expended in cooling than in heating, insulation used in the standard fashion in all walls may actually increase, instead of reduce, energy consumption.

One of insulation's limitations is that it affects only conduction—it doesn't affect air leakage, which is estimated to account for 25-30 percent of the thermal loss in buildings. A significant amount of air leakage occurs through windows and doors, so it's important to reduce the size of, and shield, these openings.

Masonry walls will further reduce air leakage because they are hand-fitted on the site (like custom-made suits) and thus are more airtight.

Furthermore, the effectiveness of insulation depends on the wall to which it is attached. Promoters who compare wall materials with insulation are making a meaningless comparison—the two have different functions, and one is not a substitute for the other.

Keeping to a strict Btu budget for your buildings is important today and will be even more so tomorrow. If you would like to know more about saving energy, write to International Masonry Institute, 823 15th Street, Northwest, Washington, D.C. 20005.

International Masonry Institute
(The Bricklayers' International Union and the Mason Contractors of the U.S. and Canada)
823 15th Street, N.W., Suite 1001
Washington, D.C. 20005
(202) 783-3908

business. But Avon's biggest com-
, Revlon, with sales of $1.45 bil-
st year, spends roughly four times
s ad-to-sales ratio, and now Revlon
oved out from prestige department
rug stores into mass marketing
es, *June 26, 1978*). True, Revlon
't have women out there ringing
ells, but its supermarket sales of
al Wonder makeup bring this ob-
ion from Diana K. Temple, cos-
s analyst at Wertheim & Co., Inc.:
ompany has nothing better to offer
o-door than what's being sold in
narkets, that could mean trouble."
rder to counter the increased com-
on and the rising cost of the sales
ensation, Mitchell is trying to im-
his force's efficiency by giving it
roducts to sell and thus a shot at a
sales-per-order figure. Vitamins,
ample, are now being test-market-
itchell thinks Avon has a big ad-
ge over Revlon when it comes to
ng a new product line to market.
he, "Revlon has to load up the
es, fill the warehouses, go out and
the girls behind the counter and
h a massive advertising campaign.
e have to do is take a photograph of
roduct, put it in the brochure, get the bottles, caps and labels ready—and start selling." It remains to be seen what vitamins will do for Avon's sales.

For years Avon clearly has lacked ways to trade up its customers, its markets and its image. Its average order size is now $7.50. Avon's recent acquisition of the six-store Tiffany & Co. jewelry chain may help to push it higher. Mitchell says he wants to expand the chain overseas and boost its mail-order and special-order business. But it is hard to believe that he would pay about $92 million, 16 times earnings, for a company that grossed only $73 million and netted $5.9 million without expecting some rub-off on the rest of Avon. The late Groucho Marx is supposed to have called another fashionable Fifth Avenue jeweler, Cartier's, "the Tiffany of the jewelry business." What Avon was paying for, in part, was that epigram.

A Tiffany cosmetics line would certainly open fancier doors than "Avon calling." And that name could get Avon a shot at the upper-income markets that Revlon gets into with Borghese—markets that don't collapse in recessions. Mitchell denies any such grand plans at the moment.

Whatever problems Avon may have, money is not one of them. The company has practically no debt, its equity stands at $740 million and it has $340 million in cash. So, Mitchell is looking to make a move a lot bigger than Tiffany & Co. He's talking these days about buying a "major" consumer packaged-goods company. "We want to get into the retail over-the-counter business in a big way," says Mitchell. "We're in the direct-selling and catalog business, and we think our shareholders should also have a piece of the pie from selling through supermarkets, drug and department stores."

With such a company rolled into it, Avon would have an impressive range of merchandising capabilities: Tiffany at the high end of the quality scale, Avon's middlebrow image and Unknown Co.'s mass-marketing organization. With its cash and borrowing power and a stock sufficiently recovered to sell at 12 times earnings in an 8-times market, Avon could handle a $1 billion acquisition—a feat not many companies could manage.

Avon's basic problem is that it is too narrow, both in product lines and in marketing outlets. The most hopeful thing about the company is that David Mitchell isn't letting his current success lull him back into the complacency that proved so costly a few years back. ■

Money isn't everything

Avon lady delivering cosmetics

Stereos and diamond chips.

let McNamara, 60, has toted her
on bag through a 263-home territory
San Jose, Calif. for the past 20 years.
1977 and 1978 she was the top Avon
resentative in the Santa Clara Val-
: She sold $29,000 worth of cosmet-
, toiletries, costume jewelry and
ts each year. For the roughly 40
urs a week she puts in during each of
on's 26 annual 2-week sales cam-
igns, she earned about $10,000 last
ar. From that, she paid social securi-
and income taxes and her business
erhead—between $35 and $70 per
mpaign for customer samples and
es catalogues, not to mention gaso-
e and telephone calls. A widow, she
pports herself entirely on Avon com-
ssions, which range from 20% to
% per item. Not terribly lucrative.

But she doesn't think only in mone-
y terms. "I love being my own boss," she explains, ding, "These people are my friends." Then, there are centives: "I survive for all the prizes I've won." Over the ars, she has received a refrigerator, clothes washer and yer, dishwasher, two stereos, two color televisions and a indfather clock, plus several U.S. savings bonds—$950 orth in 1978 alone.

A married Long Island woman, 45, sold $25,000 door-to-or last year by carrying samples and "wearing all the stume jewelry" when she went out. She earned a mere ,996 in commissions and spent more than 9% on "dem-" and sales books. But she too says, "I'm not doing it for e money. It's been a way of meeting people." She particu-ly likes the monthly sales meetings where new products e introduced, films shown and contests announced. Last year, she received many $10 cash bonuses, a crystal heart at Valentine's Day and $825 worth of bonds—along with some diamond chip earrings for Christmas.

But these Avon ladies are hardly typical. They are part of the elite President's Club, made up of about a quarter of Avon's 380,000-member domestic sales force, the most successful of whom grosses maybe $12,000. Each sells more than $6,500 retail annually, and together they account for more than 40% of Avon's sales. The pressure is always on for more: A club member must sell more than nonclub-members to win the same rewards.

The average representative is about 35, married, and sells roughly $4,900, at retail prices, per year. She takes home some $1,912, and out of that commission she pays her taxes, for her samples, sales books, travel expenses and telephone calls. She works part-time, usually because there are children at home. If she makes sales that equal less than $100 retail in a two-week campaign, Avon charges a $3 service fee to deliver her orders to her home. Perhaps that, along with relatively steep sample costs, is what keeps Avon's representative turnover rate at more than 100% a year. Some cosmetics industry analysts, in fact, estimate it runs closer to 150%.

Such turnover is costly and the psychic rewards will take an employer only so far in retaining sales help. Avon needs to give its salespeople more to sell so that they can earn fatter commissions. Costume jewelry, added in 1971, has captured about 35% of manufacturer-level sales in the U.S. The latest try, in test stages, is vitamins. Avon clearly needs more products—and more marketing diversification.**—A.L.**

C-E in the North Sea: We engineered the business end of the world's largest oil-production platform.

The central oil and gas production platform for the North Sea's Ninian Field. At 600,000 metric tons, it's the largest concrete structure ever floated.

Topside are 22 modules forming a fully-integrated process plant that holds all the production equipment for 42 wells, a helicopter pad, and living quarters for a crew of 120.

In all, 38 modules were constructed for Chevron Petroleum (U.K.) for their central and southern Ninian platforms. Thirty of these were the engineering and construction responsibility of C-E's Engineering Group and its associates.

But even this immense job tells only part of the story of C-E's qualifications for handling super projects—whether the challenge is in oil or gas, nuclear energy or environmental improvement.

A world of super projects.

Under way in Iraq is a $1.1 billion petrochemical complex for which C-E Lummus has design, engineering and construction management responsibilities in a joint venture with Thyssen Rheinstahl Technik.

The new Charles River Dam in Boston, Massachusetts, was designed by C-E Maguire to provide flood protection and environmental improvement for the entire Charles River Basin.

And C-E Power Systems is now working on 20 Nuclear Steam Supply Systems with a total value of more than one billion dollars.

We do more than handle the tough jobs.

For more than 60 years, we've been supplying equipment, technology and research to he produce energy, conserve it, and squeeze more use out of i

Combustion Engineering, I Dept. 7006-74, 901 Long Rid Road, Stamford, CT 06902.

COMBUSTION ENGINEERING

The Energy Systems Compar

Faces
ehind The Figures

u make your bed . . .

in a name? In the mattress busi- everything," says Ernest M. Wu- president of Ohio-Sealy Mattress acturing Co. Wuliger has spent the ght years in a courtroom—shelling llions in legal fees in a nasty corpo- mily squabble—to make his point. fort was worth it, insists the dap- -year-old Wuliger, even though it pt his company's growth in limbo. -Sealy is one of 22 domestic and 8 manufacturers that made $301 n worth of bedding with the Sealy last year. Licensees pay a royalty of en 4% and 4½% of gross sales to rivately held licensor, Chicago- Sealy Inc. In addition to ten licens- ealy Inc. owns three factories it makes the innersprings.

iger's feud started in the 1960s Sealy Inc., using its "right of first l" under a prevailing contract, d Ohio-Sealy's bids to acquire oth- y licensees around the country and t the licensees for itself. In 1971 r sued Chicago Sealy, charging on of antitrust laws, price-fixing, cks and sweetheart deals with ers. During a four-month trial the rned into a corporate version of *As rld Turns*, as the once-harmonious family began to act more like the s.

ently, the U.S. Supreme Court re- to review an appeals court decision vored Ohio-Sealy in the suit. For

ealy's Ernest M. Wuliger
meaning to sibling rivalry.

Shigeru Okada of Mitsukoshi
A gingerly step toward trade via understanding, not politics.

Chicago Sealy—and other national franchisers—the case serves as a warning to ease up on a franchisee that wants to grow. For Ohio-Sealy: a $13.1 million windfall, with the prospect of more to come. Ohio-Sealy is seeking another $30 million in damages pending from an eight-count antitrust suit against Sealy Inc. filed in 1976. "The war will go on," promises Wuliger.

Ohio-Sealy, the only publicly held company in Sealy Inc.'s group, earned $3.3 million on sales of $46.9 million last year. But, beams Wuliger, "Now we're sitting on $16 million in cash and are looking to expand."

For expansion-minded Wuliger, whose grandfather founded Ohio-Sealy in 1907, the advantage of the Sealy trademark is clear: Sealy has over 20% of the U.S. bedding market, ranking with Simmons as one of the big two in the industry. "It's the pulling power of that name that counts," he says. Obviously, he means it.

Best foot forward

From the way Japanese cars, electronics, restaurants and even fashions and cosmetics have been doing in this country in recent years, you'd figure that a Japanese department store would fall into an eager market. Not so. The first major effort by retailing giant Takashimaya, a smallish department store that opened on Manhattan's Fifth Avenue back in 1958, is moving to a new location where it will cater to Japanese residents of the region, tourists and hardly anyone else.

That's why Shigeru Okada, president of Mitsukoshi Ltd., Japan's biggest and oldest department store chain, is coming into the U.S. market in a different way. Relaxing in his private apartment above Mitsukoshi's posh new arts and crafts gallery and restaurant on Manhattan's Park Avenue, he says, "We want this place to be an intersection of Japanese and American ideas." And then some, to judge from the eclectic assortment of objets d'art on display in Okada's quarters, including a sleeping Buddha, a set of 17th-century samurai armor, a Picasso, a Chagall, and an ivory-inlaid antique medicine chest.

But that's for the big spenders. Off-the-street trade in the main gallery will have to settle for a range of merchandise from an 18th-century Imari jar for $85,000 down to Arita serving dishes that go for $8 apiece, with a selection of screens, hand-painted kimonos and gold-plated lacquered boxes at $1,000 or more in between. Mitsukoshi's restaurant will serve top drawer Japanese cuisine for up to $50 a head.

Behind this rarefied entry into the U.S. is Okada's conviction, gleaned from a stint last year as the head of a Japanese government-sponsored "buy American" mission, that the "trade imbalance cannot be corrected with politics." First, says the 64-year-old merchant, "we must understand the life and culture of each other."

But where do these gingerly and costly steps lead? "We are not expecting to make money here." Not now at least, because, in his view, "The world doesn't want us to sell any more anyway." For the moment, then, Mitsukoshi is selling a lot of American goods in its 60 outlets in Japan, everything from potato peelers to Oscar de la Renta dresses. In the long

Faces
Behind The Figures

run, however, Okada and Mitsukoshi must look for the hands-across-the-sea approach to pave the way for a big and profitable presence in the U.S. So far so good. Even before the gallery opened to the public, a preview guest laid out $14,500 for a 16th-century jar.

Sweet music

CBS executives and stockholders have lately groaned over the sour notes coming from the company's phonograph record group. In fact, top management felt compelled to warn last month that the group's poor first quarter will help drop corporate net 40% to 50% below the same period last year.

Some of the problem stems from lackluster domestic sales and delays in the release of albums by such recording stars as Earth, Wind and Fire and James Taylor. Also hurting are manufacturing operations—the profitable business of making the discs sold by competitors. Recently CBS lost a lucrative manufacturing arrangement with major independent A&M Records to archrival RCA.

But M. Richard Asher, president of CBS Records International, is hardly singing the blues. Last year, CRI was responsible for about half of both the $947 million sales and $94 million operating income of the record group, and now, Asher says, profits have been running 9% to 10% ahead of last year.

Dick Asher of CBS Records International
Polylingual polyvinyl profits.

Long a leader internationally, CRI has nearly doubled in size since Asher took over in 1975. But the 47-year-old lawyer and onetime All-New England football star at Tufts University is hardly a *wunderkind*. "There already are some of those in our industry," he says. "When I played football, the halfbacks got all the publicity, but it was guys like us linebackers who held up the team."

About half of CRI's estimated 14% grip on the $3.5 billion foreign market comes from the sales of records by American performers. The other half, records by local artists, is the real cornerstone of CRI's success.

For example, Argentinian singer Julio Iglesias, a Latin American heartthrob, has sold over 1 million copies of his latest Spanish-language album, and he's also recorded it in French, Italian and Portuguese for another 750,000 copies or so in sales. Says Asher, "I love it. Julio wants to do his next album in English as well."

To offset rising distribution and talent costs, Asher is spending heavily to boost manufacturing efficiency. He has already spent over $20 million to replace outmoded facilities in England and plans to build a multimillion-dollar plant in Brazil, which might eliminate the need to farm out production of the discs. And in general he has done it all with his own division's money.

"We've become our own cash cow," chuckles Asher. "Hell, CRI's annual return on capital assets is over 30%."

Big wheel

With the price of gasoline already pushing 90 cents a gallon and heading for $1 in many parts of the country, the big Steyr Daimler Puch assault on the U.S. moped market seems to be well-timed. But it took a crisis to get Puch here.

SDP, the largest nongovernment-owned company in Austria (sales last year: about $800 million), makes bicycles, trucks, tractors, motorcycles, tanks, rifles, bearings and mopeds. In 1974 when Sears canceled its orders for bicycles from the company, Puch's then new management tapped Robert Yung, 45, a Peking-born naturalized American, to set up a subsidiary here to sell mopeds.

The first year's sales, 150 mopeds, were pathetic. But by last year Puch had captured 30% of the market, selling 90,000 of the two-wheeled motorized bicycles. That came to about $50 million, some 16% of Puch's worldwide sales.

What happened was that mopeds started to boom, not necessarily as transportation but as an expensive and h
promoted toy. At around $550 and
ally maintenance-free, a moped
seem to be somewhere between
Cuisinart and a $1,000 Betamax.

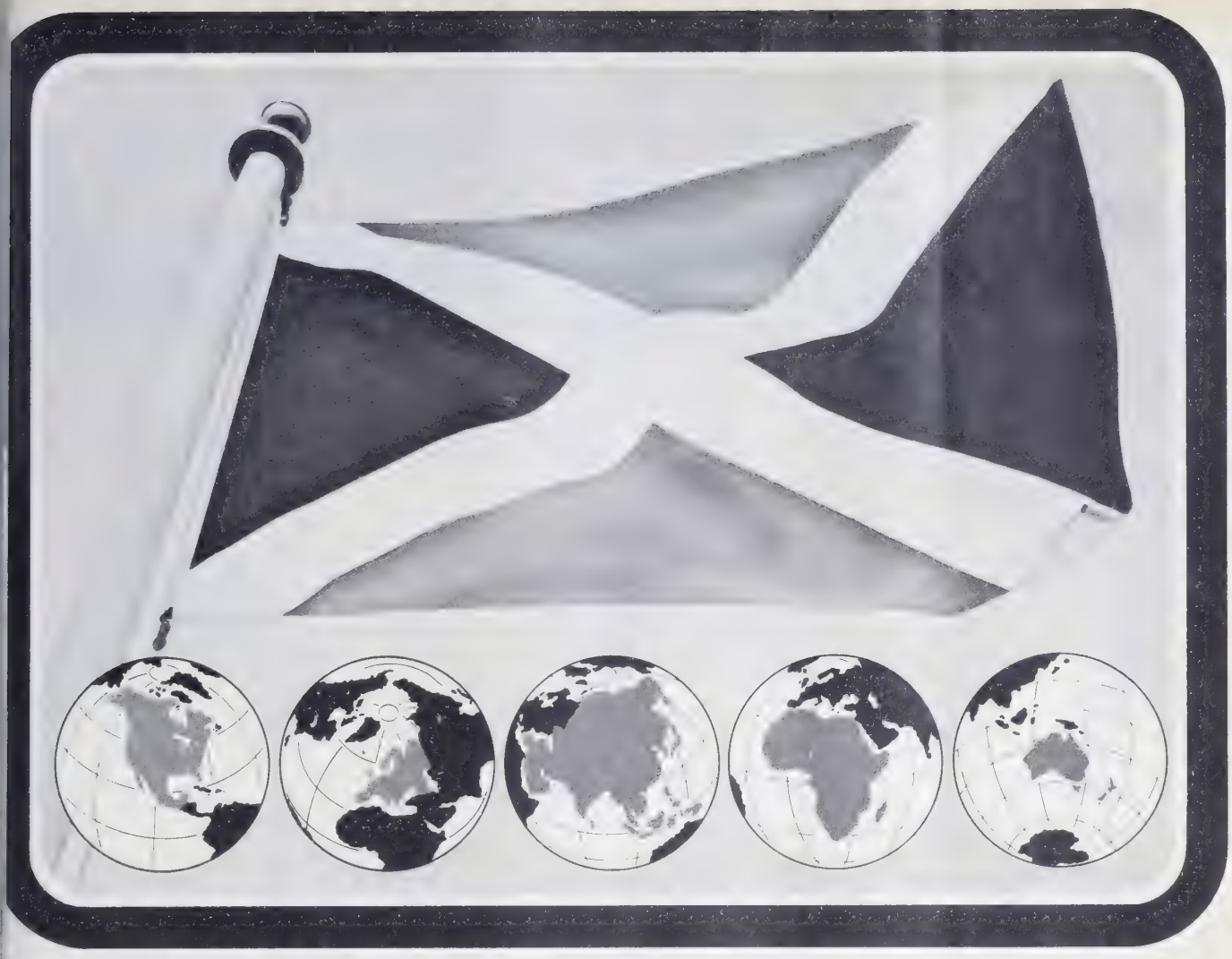
Puch's Robert Yung
Master of moped marketing.

Yung took advantage of the boo
expanded the dealer network to in
brand-name visibility. Last year
models were sold in 2,000 outlet
Yung plans to add another 400 thi
"Not only do we have to put acro
brand identity," says the M.I.T.-t
engineer, "but we have to suppo
moped generically," meaning
mopeds in general, not just Puch's

As practical transportation, the
of the moped is, at best, uncertai
most logical place to use a mope
urban areas which have relatively
moving traffic—the moped's max
speed, is 30 miles per hour. But
areas are also where the safety pro
are most severe. No one is sure,
over, how many motorists will
their climate-controlled autos for
posed moped.

Yung admits to no such doub
claims that 35% of all mopeds ar
being driven for nonrecreationa
such as commuting and light de
"It's an intrinsically likeable pro
he says. "The moped was a true de
mental market. We've really had t
up its position within society, bu
and the whole transportation netw

But if the public doesn't want
the risk of getting rained on, or l
"prestige" of driving automobi
won't matter how likeable the m
are. Even so, the more than $165 m
worth of Puch—and competi
mopeds sold last year is not bad fo
you hardly have to pedal. ■



One flag.
Five continents.

When Farrell Lines acquired American Export Lines in 1978, it was the beginning of an American superfleet.

Each line had stars of its own, stars such as the GREAT REPUBLIC and YOUNG AMERICA, huge containerships that plow the Atlantic at 24 knots even when fully loaded; stars such as the AUSTRAL ENVOY and AUSTRAL ENTENTE that have been jumboized to carry a mighty 1708 TEU containerloads each, much of it in a unique refrigerated cold-holding capacity that's been specially developed for the shipping needs of the frozen meat and dairy producers of Australia and New Zealand.

American ingenuity has built up this fleet of modern ships to offer shippers more than 200 scheduled sailings a year, to more than 150 ports of the world—covering 5 continents. Service is not once in a blue moon, either. Most ports are on a regular weekly or semi-monthly schedule.

Fleet expansion is continuing, with four more ultra-modern, ultra-efficient ships being built right now at Bath, Maine and Sparrows Point, Maryland.

In addition to Farrell Lines Atlantic service between the East Coast ports and the East, West and South Coasts of Africa, and regular East and Gulf Coast routes to Australia and New Zealand, Farrell's new routes in its American Export Line's service to Europe, the Mediterranean, Middle East, South Asia and the Far East give you the opportunity to use Farrell Lines service to and from almost anywhere in the world. We've put our money where our flag is.

In the Tradition of Great American Seamanship

FARRELL LINES
INCORPORATED

One Whitehall Street, New York, N.Y. 10004 (212) 425-6300

Faces
Behind The Figures

run, however, Okada and Mitsukoshi must look for the hands-across-the-sea approach to pave the way for a big and profitable presence in the U.S. So far so good. Even before the gallery opened to the public, a preview guest laid out $14,500 for a 16th-century jar.

Sweet music

CBS executives and stockholders have lately groaned over the sour notes coming from the company's phonograph record group. In fact, top management felt compelled to warn last month that the group's poor first quarter will help drop corporate net 40% to 50% below the same period last year.

Some of the problem stems from lackluster domestic sales and delays in the release of albums by such recording stars as Earth, Wind and Fire and James Taylor. Also hurting are manufacturing operations—the profitable business of making the discs sold by competitors. Recently CBS lost a lucrative manufacturing arrangement with major independent A&M Records to archrival RCA.

But M. Richard Asher, president of CBS Records International, is hardly singing the blues. Last year, CRI was responsible for about half of both the $947 million sales and $94 million operating income of the record group, and now, Asher says, profits have been running 9% to 10% ahead of last year.

Dick Asher of CBS Records International
Polylingual polyvinyl profits.

Long a leader internationally, CRI has nearly doubled in size since Asher took over in 1975. But the 47-year-old lawyer and onetime All-New England football star at Tufts University is hardly a *wunderkind*. "There already are some of those in our industry," he says. "When I played football, the halfbacks got all the publicity, but it was guys like us linebackers who held up the team."

About half of CRI's estimated 14% grip on the $3.5 billion foreign market comes from the sales of records by American performers. The other half, records by local artists, is the real cornerstone of CRI's success.

For example, Argentinian singer Julio Iglesias, a Latin American heartthrob, has sold over 1 million copies of his latest Spanish-language album, and he's also recorded it in French, Italian and Portuguese for another 750,000 copies or so in sales. Says Asher, "I love it. Julio wants to do his next album in English as well."

To offset rising distribution and talent costs, Asher is spending heavily to boost manufacturing efficiency. He has already spent over $20 million to replace outmoded facilities in England and plans to build a multimillion-dollar plant in Brazil, which might eliminate the need to farm out production of the discs. And in general he has done it all with his own division's money.

"We've become our own cash cow," chuckles Asher. "Hell, CRI's annual return on capital assets is over 30%."

Big wheel

With the price of gasoline already pushing 90 cents a gallon and heading for $1 in many parts of the country, the big Steyr Daimler Puch assault on the U.S. moped market seems to be well-timed. But it took a crisis to get Puch here.

SDP, the largest nongovernment-owned company in Austria (sales last year: about $800 million), makes bicycles, trucks, tractors, motorcycles, tanks, rifles, bearings and mopeds. In 1974 when Sears canceled its orders for bicycles from the company, Puch's then new management tapped Robert Yung, 45, a Peking-born naturalized American, to set up a subsidiary here to sell mopeds.

The first year's sales, 150 mopeds, were pathetic. But by last year Puch had captured 30% of the market, selling 90,000 of the two-wheeled motorized bicycles. That came to about $50 million, some 16% of Puch's worldwide sales.

What happened was that mopeds started to boom, not necessarily as transportation but as an expensive and h promoted toy. At around $550 and ally maintenance-free, a moped seem to be somewhere between a Cuisinart and a $1,000 Betamax.

Puch's Robert Yung
Master of moped marketing.

Yung took advantage of the boo expanded the dealer network to im brand-name visibility. Last year models were sold in 2,000 outlet Yung plans to add another 400 this "Not only do we have to put acro brand identity," says the M.I.T.-t engineer, "but we have to suppo moped generically," meaning s mopeds in general, not just Puch's.

As practical transportation, the f of the moped is, at best, uncertain most logical place to use a moped urban areas which have relatively moving traffic—the moped's maxi speed, is 30 miles per hour. But areas are also where the safety pro are most severe. No one is sure, over, how many motorists will their climate-controlled autos for t posed moped.

Yung admits to no such doubt claims that 35% of all mopeds are being driven for nonrecreational such as commuting and light del "It's an intrinsically likeable prod he says. "The moped was a true dev mental market. We've really had to up its position within society, bus and the whole transportation netw

But if the public doesn't want t the risk of getting rained on, or los "prestige" of driving automobile won't matter how likeable the m are. Even so, the more than $165 m worth of Puch—and competit mopeds sold last year is not bad for a you hardly have to pedal. ■

One flag.
Five continents.

When Farrell Lines acquired American Export Lines in 1978, it was the beginning of an American superfleet.

Each line had stars of its own, stars such as the GREAT REPUBLIC and YOUNG AMERICA, huge containerships that plow the Atlantic at 24 knots even when fully loaded; stars such as the AUSTRAL ENVOY and AUSTRAL ENTENTE that have been jumboized to carry a mighty 1708 TEU containerloads each, much of it in a unique refrigerated cold-holding capacity that's been specially developed for the shipping needs of the frozen meat and dairy producers of Australia and New Zealand.

American ingenuity has built up this fleet of modern ships to offer shippers more than 200 scheduled sailings a year, to more than 150 ports of the world—covering 5 continents. Service is not once in a blue moon, either. Most ports are on a regular weekly or semi-monthly schedule.

Fleet expansion is continuing, with four more ultra-modern, ultra-efficient ships being built right now at Bath, Maine and Sparrows Point, Maryland.

In addition to Farrell Lines Atlantic service between the East Coast ports and the East, West and South Coasts of Africa, and regular East and Gulf Coast routes to Australia and New Zealand, Farrell's new routes in its American Export Line's service to Europe, the Mediterranean, Middle East, South Asia and the Far East give you the opportunity to use Farrell Lines service to and from almost anywhere in the world. We've put our money where our flag is.

In the Tradition of Great American Seamanship

FARRELL LINES
INCORPORATED

One Whitehall Street, New York, N.Y. 10004 (212) 425-6300

What makes Sheaffer Eaton Textron's kind of company?

• The complementary strengths of Sheaffer Pen and Eaton Paper, joined together by Textron to create a dynamic new organization.

• Additional revenues from attractive new product combinations, like the Write Match® line of coordinated stationery and writing instruments, and continued strong performance from individual product lines, like Sheaffer Targa® pens, Eaton At-a-Glance® appointment books, and Duo-Tang® school and office products.

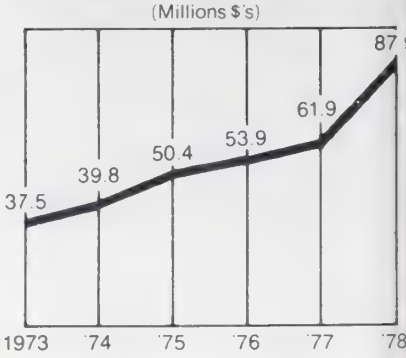
• A combined marketing force highly experienced in the industry, selling Sheaffer Eaton products in more than 140 countries around the world.

These strengths make Sheaffer Eaton Textron's kind of company. Together with the basic advantages that Textron Divisions enjoy: manageable size...recognized market positions...sound technology ...experienced management...solid growth records.

We'd want to invest in these companies, if we didn't already own them. And we back our Divisions with a continuing commitment to new product development. For the last six years, Textron-financed R & D has totaled more than 20% of pre-tax income. It now exceeds $80 million a year.

For more information, write Textron Inc., Providence, R.I. 02903.

RESEARCH AND DEVELOPMENT
(Millions $'s)



Ideas well managed. **TEXTRON**

MONEY & INVESTMENTS

The Economy

More is less

RAW NUMBERS tracking auto sales are ng a good many economists uneasy, ially those who argue that only a ed slowdown in the pace of busi- —recession—will be a significant in checking inflation. Auto sales are d running strong. A closer look at the raw numbers actually repre- however, shows that the impact of g auto sales on inflation may be derably overstated. In fact, the be- r of auto customers may be anti- ionary in a very short time.

e chart below shows what's happen- Total domestic car sales are running annual rate of 9.2 million, slightly r than the pace last year at this The real strength, however, is in ubcompacts—the Chevettes, Fies- Omnis—at the expense of larger, er models. No great mystery here. gasoline headed toward $1 per gal- and ominous rumblings from OPEC sting increases considerably be- that in time—car buyers are get- ting serious about fuel efficient cars.

The swing toward subcompacts means, of course, a squeeze on carmakers' and dealers' unit profits. A Chevette, stripped, won't yield the profit of a top-of-the-line Chevy Caprice, loaded. But in the short run, at least, what's not so hot for General Motors will be good for the U.S. To the extent that inflation is caused by demands on capacity, the preference for small cars is decidedly anti-inflationary. Chrysler's subcompact Omni weighs 2,167 pounds, a standard-size Dodge St. Regis, 3,675 pounds. A reduction of 1,500 pounds of steel per car would come to about 7.5 million tons per year—5% of steel produced in 1978.

The economic implications, of course, go far beyond the demand for steel, aluminum and other raw materials. The subcompacts are far less likely to have automatic door locks, electric windows, power seats or other options on larger cars, with their gas-guzzling engines.

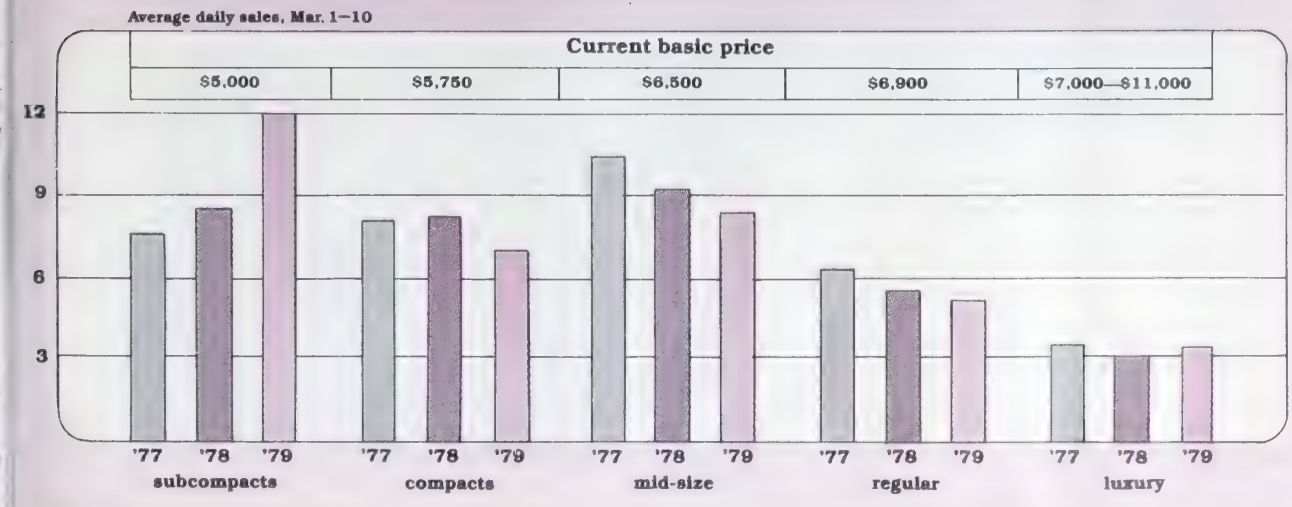
The rush to small cars will have other consequences. United Auto Workers' data show that while it takes 27 hours of labor to produce a standard-size car, it takes but 19 hours to produce a subcompact. In terms of labor as well as materials, then, it's clear that the trend works toward the easing of pressure on resources. How much easing might occur is harder to say; indeed, so fast has the rush developed that company economists are only now beginning to quantify what the subcompact boom will mean in man-hour and materials costs.

In addition to all that, of course, is the greater efficiency of the subcompacts. Granted, no amount of increased fuel economy because of lighter weight in the foreseeable future would fully offset the rate at which gasoline prices might climb, but consider what the inflationary effect would be if Detroit were not committed to designing cars and engines to get more miles per gallon.

At present, private cars on the road are burning up gasoline at the rate of 5.3 million barrels a day. Sources in Washington and in Detroit expect that next year passenger car consumption will actually fall a bit, despite more cars on the road. The key asssumption in that pleasant forecast is that a gradually increasing proportion of those cars will be subcompacts. ■

Boom, but no zoom

Auto sales are strong this year, but with considerably less inflationary effect than many suppose. The shift is to more fuel-efficient sub-compacts, resulting in lower average costs- and profits-per car.



You like high yields but you worry that bonds carry no protection against inflation. Convertibles may be your meat.

THE CASE FOR CONVERTIBLES

By Ben Weberman

BY ALMOST ALL the historical standards, bonds are cheap and stocks are cheap, but there are enough frightening uncertainties to give the boldest amongst us reason for pause. It is at times like these that convertible bonds look especially appealing.

A few people have made good money at relatively little risk by buying convertible bonds or preferred stock of sound companies at a time when the stocks are so bombed out that the market put no premium at all on the convertibility feature. The bonds, therefore, sell close to pure investment value.

There are lots of such bonds. Typically, the bond might be convertible into stock at, say, $50 a share. If the stock now sells at $12, nobody in his right mind will pay much of a premium over investment value for that conversion privilege. But the world turns. Today's underdog becomes tomorrow's top dog. For those patient enough to wait for the big turns in fortune's wheel, there is nothing to lose and much to gain by sitting with good bonds that carry seemingly valueless conversion rights.

Ashby Bladen, senior vice president for investments and the very smart portfolio manager for the Guardian Life Insurance Co. of America, has done very well over the years buying just such bonds. He reasons that if you wait long enough many stocks are going to come back—no matter how dismal their prospects look now. When they do come back, you can profit handsomely in the convertibles. In the meantime, you are making a very nice return by holding the bonds.

One of Bladen's recent coups was in Ashland Oil 4¾s of 1993. The issue was selling last year as low as $750 per $1,000 bond. The conversion price was $33.33; the market price of Ashland common was in the teens. The prospect for profitable conversion seemed hopeless. But then Ashland management suddenly started turning some of its assets into cash, and the stock shot up to 43, carrying the convertible bonds to $1,300.

Yes, you could have made a bigger return buying the common, but suppose management hadn't done that liquidating? Where would you have been then? You would have been a stockholder. With the convertibles, you could hardly lose. At $750, the debt yield to maturity was 7.65%. If the stock had continued to languish, you had a pretty good bond; once the stock took off, so did the bond.

Ashby Bladen is a rather close-mouthed man. He prefers not to have too much company in the business of buying bombed-out convertibles. He won't tell us what convertibles he likes now. Can't blame him, really. So, let's go to Wall Street where people get paid to come up with ideas that their customers can use. I talked with convertible bond experts at Merrill Lynch and at Bear, Stearns & Co., both firms active in the field. Here were some of their suggestions:

ARA Services has a 4⅝% convertible due in 1996 that carries a split BaBBB rating and sells at 65 to yield 8.53% to maturity. Its current yield is 7.12%. Each $1,000 par value debenture is convertible into 9.867 shares of common, but since the stock sells at only 38, conversion would bring only $381 in stock. So, you wouldn't convert *now*. You'd hold the bond for its good yield and high quality. But who is to say that sometime in the next few years ARA common won't again sell over 100—as it did repeatedly in the early Seventies? If it does, you have a handsome profit in the bond. the stock doesn't come back you st have a nice yield.

Here's something else to thi about. That ARA convertible bo pays $46.25 a year in interest; t same amount invested in the co mon stock would earn only about h that. So while you wait for the sto to go up, you are better off in t bonds, as far as income is concerne You also have a senior claim again assets if the worst should happen.

The daily bond tables are literal loaded with bank convertible bonds a time when bank stocks are selling the lowest multiples on record. Ci corp 5¾s of 2000 are an interesti example. As straight bonds they wou sell around 68; because they are co vertible into 24.39 common shar they currently fetch about 73½ a yield 8.4%. So, in buying them y sacrifice a bit of yield but look wh you get in return: If Citicorp commo now at 24, were to go back to where sold as recently as 1976—just short 40 a share—you would end up with very handsome profit. How han some? A capital gain of 40% to 50% top of your very satisfactory yield.

There are many such bank bonds mention the Citicorp bonds but yo own broker can suggest many more

Another interesting case is Gre hound Corp.'s 6½s of 1990, current yielding 9.75% to maturity. They a almost as good as the Greyhound 9¾ which are *not* convertible. True, t convertibles carry a lower rating—B rather than A. But to compensate that lower rating they are also co vertible—into 54.42 shares of Gre hound common per $1,000 bond, 18⅜ per share. With Greyhound sto currently selling at 11⅝, of course, y wouldn't convert; you'd continue hold the bond. But supposing the sto went to 20? Impossible? Not at all. I a good company and sold as high as in the early Seventies.

There are hundreds of such issu You can pick your own. The point very simple. If for no other reas than that inflation is puffing up cor rate profits, earnings will continue rise long term and eventually stoc will have to go up with them. As th happens, many bonds, whose conv sion privilege now seems valuele are going to become valuable. For t patient long-term investor, that's t best of all worlds: a high current yie and a substantial degree of long-ter protection against inflation throu the conversion feature. ■

Ben Weberman is economics editor of FORBES *magazine.*

Take a closer look at America's newest billion-dollar telecommunications system.

No ad can give you all the information you need to evaluate a dramatically growing company.

Many times, though, an annual report can.

That's why we'd like to send you ours. We're United Telecom, operators of United Telephone, America's third largest telephone system, United Computing Systems and North Supply Company.

While we can tell you here that United Telecom is America's newest billion dollar telecommunications system, our annual report can tell you how it happened.

It will also give you some insight to our astonishing growth from $130 million in annual revenues in 1966 to more than $1.4 billion today.

And best of all, it will give you an in-depth look at the people behind one of the major telecommunications companies in America—a company that has doubled its revenues in just 6 years.

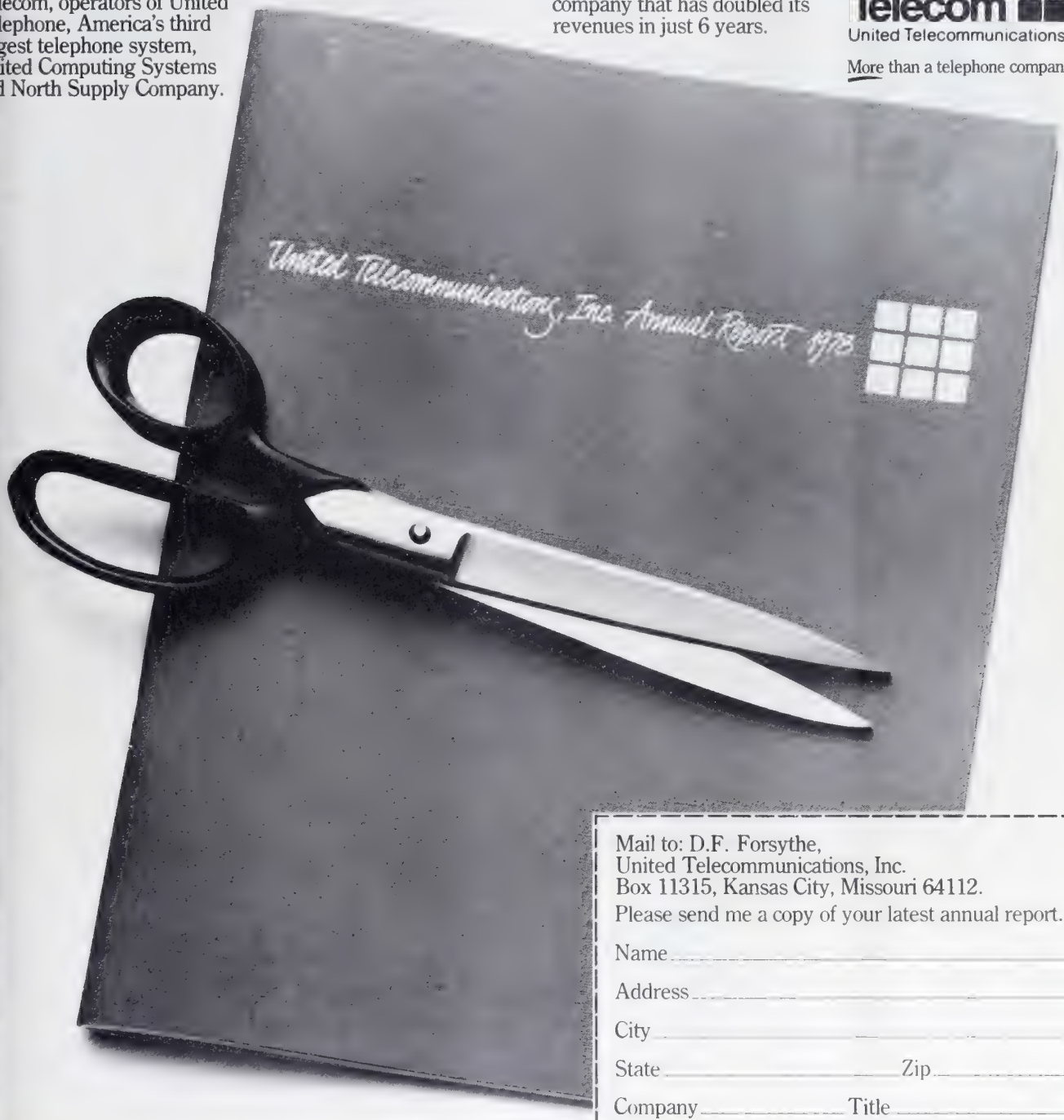
Send in the coupon today. We'll have our annual report on its way to you in no time.

An affirmative action employer.

United Telecom

United Telecommunications, Inc.

More than a telephone company.



Mail to: D.F. Forsythe,
United Telecommunications, Inc.
Box 11315, Kansas City, Missouri 64112.

Please send me a copy of your latest annual report.

Name _____

Address _____

City _____

State _____ Zip _____

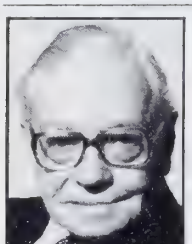
Company _____ Title _____

New York Stock Exchange symbol: UT. Newspaper listing: UniTel.

It's like screwing the lid on tight on a pressure cooker without turning down the heat—it will blow up sooner or later.

LIVING WITH INFLATION

By Heinz H. Biel



THE BATTLE against inflation is being lost. The Administration, as is to be expected, has a number of alibis that it uses to exculpate itself. After all, can Mr. Carter be blamed for events in Iran or for OPEC wanting a higher price for oil, which is now in short supply? And there is no way of speeding up cattle-raising, while Americans insist on eating more beef than ever before.

Such arguments sound very logical, but are they? To be sure, oil and beef are very important in our lives, much more so than, for instance, cocoa. But rising prices, regardless of reason, don't *cause* inflation. It is the creation of the wherewithal to pay those prices—the money and the credit—that does it.

We have done little to curtail that wherewithal. The Fed's tentative, almost timid attempts to put a brake on excessive credit expansion are not enough. Even a reduced federal deficit, in the $30 billion to $40 billion range, makes the whole effort seem hopeless. One can appreciate Mr. Kahn's frustration with his wage/price guidelines. He must feel like a paper tiger, but he knows that mandatory controls wouldn't work either. That is like screwing the lid on tight on a pressure cooker without turning down the heat—it will blow up sooner or later.

Like people in other inflation-ridden countries, Americans have learned how to live with constantly rising prices. What do you do with money that you know will be worth less, year after year, at an annual clip of close to 10%? You spend it and buy the things you know you will need and, if you don't have the money, you borrow as much as you can get away with. Because of our innate populist mentality, which favors the borrower and penalizes the lender, we keep interest rates lower than economic conditions warrant. That's how we foster inflation.

All this has tended to defer the arrival of an overdue recession and, thereby, has created the illusion of continuing prosperity. People rather like it that way, except those on fixed incomes. Of course, such conditions cannot and will not come to a good end. As we have seen, however, they can last for quite a long time. That is why politicians everywhere prefer to leave well enough alone and take an *après nous le déluge* attitude, hoping that they won't be in office anymore when the whole shebang comes crashing down in 19. . . .

Are investors finally coming to the conclusion that good common stocks give them at least a chance to escape or minimize the inevitable erosion of their money's buying power? This may well be the case. Although for a number of years results for many stock investors have been discouraging, it is an undeniable fact that earnings, dividends and book values have increased greatly, often matching, if not exceeding, the rate of inflation.

I continue to have misgivings about the stock market in the months ahead, and suggest maintaining a fair-size liquid buying reserve. Nevertheless, I view the longer-term risk/reward ratio as so favorable, that even a cautious investor should keep a significant portion of his capital in good equities.

Last month (FORBES, *Mar. 5*) I briefly mentioned the *Echlin Manufacturing Co.* (18), a major manufacturer of automotive replacement parts, primarily for use in electrical and brake systems. With an ever greater number of cars and trucks on the roads, this ha been a flourishing business, and Ech lin has made the best of it. All you ca say is that you wish you had know about it ten years ago, when Echli was a little company doing a volum of well under $50 million a year. Sale will be over $300 million in the cu rent fiscal year.

I have no doubt that Echlin growth will continue, but with th increase in size, the rate will slo down. However, there is an aspect t Echlin that explains the premiu multiple (about 12 times this fisc year's estimated earnings of $1.55 share) at which the stock is present selling. In a recent prospectus, cove ing the offering of 1.5 million com mon shares, the company says:

"Echlin has acquired the pater rights to the Wiegand Effect, a ne method for magnetic pulse generatio requiring no electric power. It is an ticipated that this technology wi have numerous applications in aut motive systems . . . and may hav broad applications in numerous oth fields, such as machine tool control security access systems and turn stiles, household appliance control process controls and in industry flo meter and counting devices. . . ."

The Wiegand Effect is in its deve opment stage and has not yet genera ed significant revenues. There can b no assurance that it can be develope on a commercial basis. I do not pr tend to understand the Wiegand E fect and it would be presumptuous t evaluate its potential. While it is obv ous that Echlin is in the process developing and incorporating th Wiegand technology into its ow products, it also has granted a sma number of licenses to others, inclu ing IBM, General Signal, Emerso Electric, Colt Industries, Robe Bosch (of Germany) and others. The companies are among the world most sophisticated outfits and the probably know very well what the are doing.

I am intrigued by the potential i Echlin. If Wiegand should turn into disappointment, as was the case wit the Wankel engine, the worst th would happen is that the investor pa a few points too much for the stock a very good company. I'd be willing t take that risk.

Although dividends have bee raised year after year, the curre yield is barely 2½%. Obviously th stock is not suggested for income-or ented investors. ■

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott

In today's nervous stock market, should you. . .

Buy? Sell? Do Nothing?

More specifically, what should you do NOW about these (or 1700 other) fast-changing stocks?

ATLANTIC RICHFIELD	EASTMAN KODAK	PFIZER, INC.
AT&T	GENERAL ELECTRIC	SEARS, ROEBUCK
BOEING	GENERAL MOTORS	SOUTHERN CO.
CARNATION	GULF OIL	TEXAS UTILITIES
CITICORP	OCCIDENTAL PETROLEUM	TEXACO, INC.
DOW CHEMICAL	PEPSICO INC.	TYMSHARE, INC.
EXXON	PITTSTON	UAL INC.

We've picked the 21 stocks above for illustration—from more than 1700 regularly covered by The Value Line Investment Survey—because each has recently been on the "most active" list and may therefore be of special interest.

The stock market, and the investment values herein, are now going through a great deal of rapid change. *This is no time to sit on your hands.* It is urgent, we think, that you check without delay every stock that interests or concerns you to see if it currently offers the investment credentials most important to you. To illustrate, let's look at the stocks listed above:

PERFORMANCE: Every one of these stocks—*at one time or another*—has offered the prospect of superior relative price performance. Right now, however, Value Line ratings suggest that 4 of these stocks should be avoided for the time being. On the other hand, we estimate that 4 of the stocks above will clearly outperform most other stocks in the next 12 months.

SAFETY: 10 of the stocks listed carry superior Value Line ratings for Safety, meaning they have typically demonstrated greater price stability than the majority of stocks. The other stocks on the list rate only average or lower on this score.

YIELD: The dividend yields of these stocks estimated by Value Line for the 12 months ahead range all the way from 11.1% to Nil. Six of the stocks offer yields below 4.9%. Only 7 stocks provide yields of 7.0% or higher.

APPRECIATION: Value Line's estimates of Appreciation Potential in the next 3 to 5 years for these stocks range all the way from a paltry 30% up to nearly 300%. Five stocks offer long-term potentials of 175% or higher.

(The data above come from a recent issue of The Value Line Survey. For actual investment decisions, be sure to see the *latest* weekly Value Line edition.)

WHERE ELSE CAN YOU GET ALL THIS?

Value Line gives you the key ratings outlined above, updated every week, for EACH of 1700 stocks—so you can make *coherent* comparisons of any stock against any others with respect to the investment attributes you care about. In addition, Value Line regularly presents comprehensive full-page Research Reports, with 15-year vital statistics, for each of 1700 stocks.

We apply the same quality and comprehensiveness of research and evaluation not only to virtually every "big name" stock (like the ones listed above) but also to more than a thousand "lesser" stocks—which make up a significant part of a great many portfolios.

We realize that when YOUR money is involved, an investment in U.S. FILTER can be just as important as the same amount in U.S. STEEL.

If you want to re-assess your stock portfolio with an eye to greater rewards and/or lower risks in today's unusual market. . . . if you want to make *rational* decisions about what stocks to hold, sell, or buy now. . . . we believe that no other source even comes close to providing the help that Value Line systematically gives you.

UPDATED EVERY WEEK

Every week, Value Line's new *Summary & Index* presents up-to-date ratings of EACH of 1700 stocks *relative* to all the others, as follows. . . .

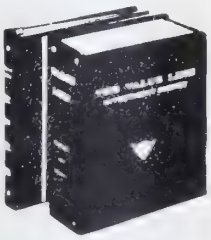
a) Rank for Probable Price Performance in the Next 12 Months—ranging from 1 (Highest) down to 5 (Lowest). We urgently suggest you *stay away* from the 400 stocks now ranked 4 or 5.
b) Rank for investment Safety (from 1 down to 5). If Safety is important to you, we suggest you concentrate on stocks ranked 1 or 2 in this respect.
c) Estimated Yield in the Next 12 Months. Every week we also present a "screen" of the 100 stocks with the highest yields, which recently ranged from 9.4% to 11.8%.
d) Estimated Appreciation Potential in the Next 3 to 5 Years—showing the percentage change from the recent price. Every week we also present a "screen" of the 100 stocks with the highest potentials, which recently ranged from 225% to 570%.
e) P/E Ratio and current price, plus estimated annual earnings and dividends in the current 12 months. Also latest quarterly results vs. year ago.

PLUS FULL-PAGE REPORTS

In addition to the weekly coverage above, each of the 1700 stocks is the subject of a comprehensive new full-page Research Report at least once every three months—including 22 series of vital financial and operating statistics going back 15 years and estimated 3 to 5 years ahead. About 130 new full-page Reports like this are issued each week. . . 1700 every 13 weeks.

SPECIAL INVITATION

You can receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 9 weeks for only $29—about HALF the regular rate—if no one in your household has subscribed in the past two years. And you get these two bonuses:



BONUS #1— Value Line's 2400-page *Investors Reference Service* including our latest full-page Reports on each of 1700 stocks—fully indexed and looseleaf-bound for easy reference, and systematically updated by new full-page Reports in the weeks ahead.

BONUS # 2— *Evaluating Common Stocks,* the 96-page "classic" by Arnold Bernhard, Value Line's founder and research chief, revealing methods of stock evaluation that took decades to refine. You KEEP this book even if you return the other material for your money back.

This subscription is tax-deductible if utilized to aid in the management of your investments.

To accept this invitation, simply fill in and mail the attached coupon today.

The Value Line Investment Survey

516M16

Arnold Bernhard & Co., Inc. • 711 Third Avenue, • New York, N.Y. 10017

☐ Begin my 9-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

A famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now

☐ 1 year for $315. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)

☐ Enter my subscription now. Bill me for $315 (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO

CITY

STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid

Foreign rates on request (NY residents add sales tax.)

This subscription is tax deductible if utilized to aid in the management of your investments

DAILY INTEREST INCOME... HIGHER YIELDS... AND CHECK WRITING!

FINANCIAL DAILY INCOME SHARES, INC.

a no-load money market investment company seeking high current income consistent with liquidity and safety of capital.

- No sales charge
- Check Withdrawal Option
- $1,000 initial investment
- $100 subsequent investment
- No withdrawal fee
- Income earned daily, 365 days a year
- Expedited wire withdrawal privilege
- Telephone Exchange Option
- Withdrawals are at the then current net asset value.

Call Free: 1-800-525-9831 in the continental U.S. Call 779-1233, in Colorado

Financial Programs, Inc. 4-F0-3-J203-12
P.O. Box 2040, Denver, Colorado 80201

Name _____

Address _____

City _____ State _____ Zip _____

For more complete information about Financial Daily Income Shares, including management fee charges and expenses, call or send for a prospectus. Read it carefully before you invest or forward funds.

LARGE POTENTIAL CASH RETURN
from
OIL and GAS LEASES ON PUBLIC LANDS

* * * * *

The United States Department of the Interior (Bureau of Land Management) holds non-competitive public drawings each month to afford all citizens over the age of 21 years an equal opportunity to own oil and gas lease rights on lands owned by the Federal Government.

A $20.00 tax deductible filing fee could return a sum exceeding $75,000.00 immediately, plus an overriding royalty for possible future income.

* * * * *

For further information on how you can intelligently participate in the government sponsored program, contact:

MAX WILSON, INC.

P.O. Drawer 1978—FO
Roswell, New Mexico 88201
Toll Free Number 800-545-7955

Source Capital's discount is about 7%. Fo the new investor that's better than paying an 8% load for a fund management that i unlikely to be better than Source's.

SMART FUNDS

By John Train

SOURCE CAPITAL is a $175 million closed-end investment company with the distinction of having the best performance record of any closed-end fund over the last five years.

The fund was floated in the glorious days of 1968 under the then-famous Fred Carr, who sank much of the portfolio into a goulash of private placements and special situations.

When the market (and the portfolio) came apart in the bear market of 1969, Carr was swept away, and in due course the principal outside voice became that of Warren Buffett, who in 1972-73 purchased a 20% interest through his Blue Chip Stamps vehicle, at a discount of 50% from net asset value and later sold it for a big gain.

An analysis of Source Capital's portfolio should be of interest to my readers. The fund's largest single position is De Beers, whose investment logic will be familiar to readers of this column, where it was recommended a while back at substantially lower prices (FORBES, *Jan. 22*). De Beers, which enjoys a virtual monopoly on gem diamond sales in the Western World, sells in the market for little more than the value of its inventory of gemstones and cash, with the mining business free, so to speak. It has shown a great ability to adapt to changing government conditions in countries outside of South Africa that have had hostile takeovers.

The next largest holding is H&R Block, which George Michaelis, the fund's president, considers a reasonably priced income stock. Block's growth may now be starting to revi after a year or two of comparati stagnation. (The question for a con pany with a huge excess cash pos tion, such as Block has built up, whether it can put the money to wo advantageously. This is far from ce tain.) The management of the fu hopes that Block's comfortable yie of about 6% will grow by over 10 compounded in coming years.

Source Capital's largest single pu chase in 1978 was a major position Levi Strauss & Co., which enjoys exceptional consumer franchise virtue of its famous name and reco nized position as the premier brand blue jeans. The company is branchi out into sportswear and the appar business generally. The 30% return its equity is outstanding. At 42, t stock sells for less than five tim current year's estimated earnings.

One of the fund's largest holdings Hillenbrand Industries (FORBES, *May 1976*), the leading manufacturer caskets through its Batesville Cask Co. subsidiary. Another of its subsi iaries, Hill-Rom, is a leading manufa turer of hospital beds and other equi ment for hospital rooms. This e tremely well-managed company h enjoyed outstanding profit margi and an earnings growth of 19% co pounded over ten years. Hillenbra recently made use of some of its su stantial excess cash to acquire Ame can Tourister, one of the two leadi American luggage manufacture Source Capital's Michaelis estimat that Hillenbrand's earnings will c tinue to grow at 14% compounded another five years, making the sto exceptionally cheap at a little o seven times earnings.

The fund made a new commitme in Federal National Mortgage duri the year. With an 8% yield and portfolio consisting of governme guaranteed mortgages, FNMA shou be a solid yield investment. It sells a 30% discount from the net value of

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

rtfolio of government-guaranteed ortgages. It has ample funds avail- e, given its government sponsor- p, to continue to buy mortgages at prevailing high rates. Source Cap- l's management points out that ce FNMA earns 18% on its own ity and distributes one-third of it as dividends, the remaining 12% it is reinvested should enable earn- s and dividends to increase by out 12% compounded. So the inves- has an 8% yield that should rise stantially faster than inflation.

Source Capital's only representa- n in the oil business is Getty. Mi- elis points out that at current ces one is buying the company at own book value, which works out a valuation of $1 a barrel for the oil the ground. Unlike almost any oth- oil company, Getty has no signifi- t debt. On the contrary, it has sub- ntial excess cash and has a strong itive cash flow. If a fair value for tty Oil's reserves is closer to $3 a rel than to $1, the company is sell- at a two-thirds discount from liq- ation value. In addition, the com- y is a cornucopia of other assets.

One of Source Capital's largest ups of holdings is banks: Detroit- k Corp., First New Mexico Bank- re, Hawaii Bancorp., Northeast corp and National City Corp. eveland).

o be safe, one should not own a npany that is dependent on con- nt appeals for capital from the mar- —as the aggressive money center ks are. One is, therefore, best off ning banks that limit their growth ing periods of expansion to no re than they can finance with in- ally generated funds. The hotshot ney center bank that is constantly ting newer and jazzier instru- nts to finance expansion into lit- known areas may be increasing its faster than its profits. Not so the e conservative local kinds.

n recent years Source Capital has in the market at about a 13% ount from net asset value; at the ment Source Capital's discount is ut 7%, among the lowest of the rsified closed-end funds. Still, for new investor, that's better than ing an 8% load charge for a mutual d management that is unlikely to etter than Source's.

ource Capital has a policy of dis- uting approximately 10% a year he net asset value of its common k from a combination of income capital gains.■

Get peak yields plus daily liquidity with only $2,000.

Here at the top, you'll find important advantages.
- High money market yields.
- Immediate liquidity—no withdrawal penalty.
- Toll-Free telephone redemption/transfer.
- Free check writing.
- No-Load. No sales charge or redemption penalty.

You get these benefits whether you invest $2,000 or $2,000,000. For current yield, phone toll-free **1-800-638-1527.** If busy, or in Maryland, call collect 301-547-2136.

A6

Rowe Price Prime Reserve Fund, Inc.

100 E. Pratt Street, Baltimore, Maryland 21202.

Name_____

Address_____

City_____ State_____ Zip Code_____

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

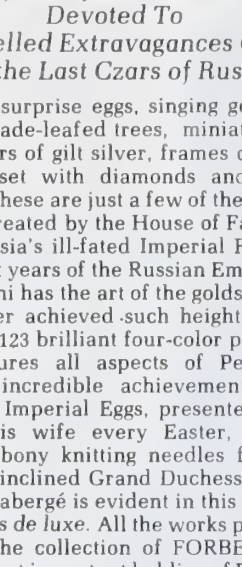
WE'RE FIGHTING FOR YOUR LIFE

Have Your Blood Pressure Checked

American Heart Association

FABERGÉ
IMPERIAL EGGS
And Other Fantasies

Hermione Waterfield
&
Christopher Forbes



A Magnificently Illustrated Volume Devoted To The Jewelled Extravagances Created for the Last Czars of Russia

Gem-set surprise eggs, singing gold birds hidden in jade-leafed trees, miniature paddle steamers of gilt silver, frames of crystal and fans set with diamonds and ostrich feathers – these are just a few of the dazzling fantasies created by the House of Fabergé to amuse Russia's ill-fated Imperial Family in the twilight years of the Russian Empire. Not since Cellini has the art of the goldsmith and the jeweller achieved such heights of perfection. In 123 brilliant four-color plates this book captures all aspects of Peter Carl Fabergé's incredible achievements. From the fabled Imperial Eggs, presented by the Czar to his wife every Easter, to gold-mounted ebony knitting needles for a domestically inclined Grand Duchess, the full genius of Fabergé is evident in this selection of his *objets de luxe*. All the works presented are from the collection of FORBES Magazine, the most important holding of Fabergé's Imperial Treasures outside the Soviet Union.

In addition, the volume contains an invaluable guide to other collections of Fabergé open to the public, a catalogue raisonné of the Imperial Eggs, a foreward by Malcolm S. Forbes and an essay by Dr. Everett Fahy, Director of The Frick Collection.

This book, just published by Charles Scribner's Sons retails for $19.95.

For a limited time only, FORBES readers may purchase copies for only

$17.50!

Save $2.45 per copy.

FORBES Magazine Collection
60 Fifth Avenue
New York, N.Y. 10011

Please send

____ copies FABERGE at $17.50 @ _____

N.Y. residents add appropriate tax _____

Total enclosed _____

☐ Check payable to Forbes Inc. enclosed.
☐ Please bill me.

Name _____

Address _____

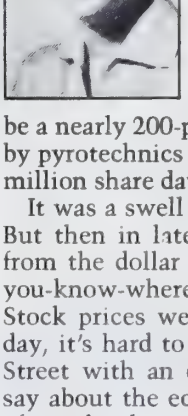
_____ Zip _____

Stock Trends

My "Snake Belly Index" says spirits are ver low. So it's time for some serious shopping

SUPPORT YOUR LOCAL STOCK MARKET

By Ann C. Brown



EARLY LAST YEAR, when the DJI had fallen into the low 700s, I wrote a FORBES column exhorting readers to B-U-Y *(Feb. 20, 1978)*. About two weeks later the stock market began what turned out to be a nearly 200-point rise, punctuated by pyrotechnics like 50 million to 60 million share days.

It was a swell party while it lasted. But then in late autumn everything from the dollar to the Shah went to you-know-where in a hand basket. Stock prices were no exception. Today, it's hard to find anyone on Wall Street with an encouraging word to say about the economy or the future of mankind in general, for that matter. According to my "Snake Belly Index," spirits are about as low as they can get. All of which leads me to suggest that it's time once again for some serious stock shopping.

As you ready to mortgage the manse and throw all the money into a lengthy list of attractive equities, let me share a few "why-buy-now?" thoughts with you. First of all, I think the stock market has already discounted any recession several times over. The consensus this time last year was that the economic downturn would occur in the *first* half of 1979. As a result, institutional money managers bought little or no stock and, in some instances, even dumped millions of shares in anticipation of the big event.

Not only has the recession yet to take place, there is some question as to whether it will take place at all. As far as I'm concerned, the stock-selling (nonbuying) damage has already be done. Second, the gloomsday groupi have been predicting all along that t prime rate will go to 15%, corpora profits will fall, the dollar will resur its downward trend and that, in ad tion, mandatory wage-and-price co trols are lurking just around the corn At the moment, I'm hard pressed think of any new economic disast that someone else hasn't thought first. If, by any chance, one or two their prophecies fail to come true, t market could react quite positive Besides, it won't be long now bef the populace gets caught up in t election of 1980, and hot-air campai promises have a way of breathing l into deflated stock prices.

Topping my list of stocks to o for appreciation potential is a form recommendation, *McGraw-Hill* (2 Shortly after I mentioned the co pany in January, American Expr made a tender offer for the stock a price of $40 per share. A real brouha developed with accusations flying e ery which way, and the merger did take place. At one point, when looked as if it might, rumor had it th McGraw-Hill had several "wh knights" waiting to wrest it from t credit-card company's clutches prices of up to $50 a share. Whether not this was true is beyond me, b one thing I do know is that a lot attention was called to the compa and its excellent growth record. T basic earnings still look good—$2. per share estimated for 1979, up fr $2.57 last year. For 1980, $3.25 see reasonable. And there's always t possibility of another takeover tempt, which, for any number of r sons, might be more difficult for t company to turn down.

Three fast-food companies got cl bered during the latest in our series oil crises and are now back in a buyi range. *Church's Fried Chicken* (2 earned $1.65 per share in 1977, $2.

Ann C. Brown is executive vice president of the New York investment firm of Melhado, Flynn & Associates.

n 1978 and is expected to earn $2.77 his year unless the sheikhs shut off ll the spigots, in which case we'll ave more to worry about than stock rices. *Denny's, Inc.* (22) is down harply from its latest 12-month high f 35, even though 1979 earnings are stimated to be over $3 a share. And ny old friend, *Ponderosa System* (18), he steak chain, is now selling at almost half what it was a year ago, even hough shrewd observers are looking or $3.05 in 1979 *vs.* $2 in 1978.

Speaking of oil, I know some slick perators who are adding *Amerada Hess* (31) and *Santa Fe International* (29) o their portfolios. Amerada Hess has he refining capacity to turn low-riced high-sulfur crude oil into an nvironmentally acceptable end prodct. This year the company could earn 5.75 per share (fully diluted), up from 3.51 last year. The preliminary uesstimate for 1980 is $7 per share. anta Fe International, with its big histle Field exposure in the North ea, is anticipated to come in with 3.70 a share this year and perhaps as uch as $5.35 next year.

Finally, the broadcasting stocks as a roup look particularly inviting. This ear's earnings may be better than ost people think, due to the unexected buoyancy in the economy. lext year both the Olympics and the lection will be on as extra added atactions. At the moment, my three vorites are *American Broadcasting* 3), *Capital Cities Communications* (38) nd *John Blair & Co.* (27). So far, ABC as proved that it isn't going to fall part without Mr. Silverman, who left st year for NBC. In fact, ABC is still umber one in the ratings game. Look r around $5.60 to $5.80 in earnings r 1979 and $6.75 or more in 1980. s for Capital Cities Communicaons, I think it's one of the best-run mpanies in the country. The earngs have been outstanding—$2.91 in 977, $3.80 in 1978, with $4.40 estiated for 1979 and as much as $5.50 1980. Less well-known John Blair ould be a sleeper. The company is the rgest factor in the broadcast-station les-representation business, in addion to owning and operating broadsting stations itself. Currently, Blair in the process of acquiring three levision stations and has made it nown that it is looking for more. he company recently reported earngs of $4.42 for the year ended last ecember. This year $5 appears atinable, and I'll hazard a guess of ose to $6 per share for 1980. ■

$... Business Opportunities

Hundreds of listings of Prime Business opportunities will come to you in The Business Opportunities Guide plus a comprehensive monthly digest of informative articles, franchise information, sources for financing and the latest in quality: BUSINESSES FOR SALE, INVESTMENT OPPORTUNITIES, FRANCHISES & MONEY MAKING OPPORTUNITIES, from $500 to over $1,000,000 from across the U.S. and Canada. Make this small investment now, for a better investment in the future. To receive the next twelve monthly issues, just send $18.00 check or money order to:

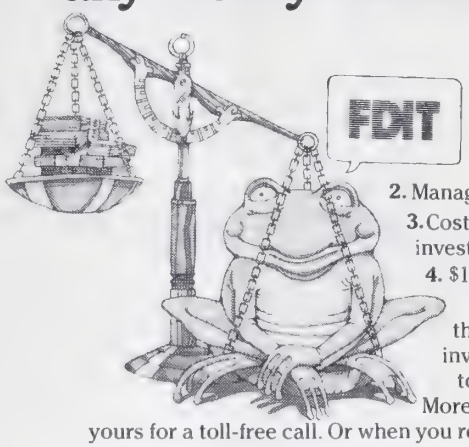
BUSINESS OPPORTUNITIES GUIDE
1925 Pine Avenue, Niagara Falls, N.Y. 14301

Name _____
Address _____
City _____ State _____ Zip Code _____

MONEY REFUNDED IF NOT SATISFIED AT ANY TIME

BUSINESS OPPORTUNITIES GUIDE

Before you choose any money market fund, read this.



In particular, Fidelity Daily Income Trust invites a comparison with similar funds on the following key points:

1. High yield (Figures readily available from any fund by phone).
2. Management fee (FDIT's is a low 3/10 of 1%).
3. Cost structure (FDIT distinctly favors investors with $10,000 or more).
4. $1 share value

Compare these key points and we think you'll see why FDIT is an excellent investment choice to take advantage of today's high money market yields. More detailed information on FDIT is yours for a toll-free call. Or when you return the coupon below.

Call Free (800)225-6190 In Mass. Call Collect (617) 726-0650

FDIT **Fidelity Daily Income Trust**
P.O. Box 832, Dept. JB 041679
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

Name _____
Address _____
City _____ State _____ Zip _____
Company _____
Telephone _____
Retirement Plan Information Keogh ☐ 403B ☐

FIDELITY GROUP Over $4 billion of assets under management

"WE ONLY HAVE ONE TEXAS"

People ask if there is really an energy crisis. Look at it this way. World oil consumption is 60 million barrels per day and is growing 5 percent each year. This means the world must find three million barrels of new oil production each day. Three million barrels per day is the amount of oil produced in Texas as its peak was 5 years ago. The problem is that it is not going to be easy to find a Texas-sized new oil supply every year, year after year. In just a few years, it may be impossible to balance demand and supply of oil unless we start conserving oil today. So next time someone asks: "Is there really an energy crisis?" Tell them: "Yes, we only have one Texas."

ENERGY CONSERVATION -
IT'S YOUR CHANCE
TO SAVE, AMERICA

Department of Energy, Washington, D.C.

Jim McManus might have become the to man at P&G. Instead. . . .

WHAT IT TAKES TO TURN AN IDEA INTO A BUSINESS

By Thomas P. Murphy

Just after James R. McManus opened the door of his new marketing consulting business eight years ago, he sat down with a venture capitalist to close the financing. McManus had already put $75,000 into the business and the venture capitalist agreed to put another $250,000 into it. They were going to be partners, a 50-50 split of the stock.

"Jim," the venture capitalist said, "my lawyer and my accountant tell me I'd be crazy to do this deal. They tell me I ought to have 51%."

Jim McManus pondered for an agonizing minute. Here he was with a fancy sounding name—Marketing Corp. of America—six employees who were counting on him, no clients, and this venture capitalist he hardly knew wanted control of the business. McManus swallowed hard and said no.

It was the best decision he ever made. MCA has done very nicely without that venture capitalist's money.

In 1971, the first year, pickings were lean, but the next year MCA had revenues of $600,000 and profits of $100,000. Just to bring you up to date, the company now has 153 employees, will do $45 million in sales this year and should make profits of about $4.5 million pretax. McManus, now 45, figures the company can grow 50% a year until the early 1980s.

Of course, you do not get a business to grow that fast just by selling advice, even when a typical client pays $150,000 for the advice. McManus was in the business of selling marketing ideas and he figured if they were any good, there was no reason w MCA could not take some of its o ideas and start businesses.

But first, just what is a market idea? Well, consider Ralston Purin problem. The company wanted give samples of its puppy food to n dog owners. How do you find th and how do you get samples into th hands cheaply?

MCA's answer was to approach market through veterinarians. made them an offer that few of th refused. Ralston put together a that contains, among other thing booklet carefully explaining how care for a new puppy. Since pet ow ers usually ask the veterinarian same questions, the booklet is a ti saver: "Just read the booklet, an you still have questions let me kno they could tell their clients. As for sample, you guessed it, there is a of Ralston's puppy food in the There was something for everyb in MCA's idea.

MCA now has two successful m ket-consulting businesses, but si each limits itself to a dozen client any one time, the company's growth has come from starting buying businesses based on market ideas. So far there are eight. These what have given MCA the kind growth it could never have achie by simply selling advice.

One of them, for instance, is a c poning business. MCA found it co buy newspaper advertising space wholesale quantities and, in effect tail the space to advertisers who coupons. The space was a li cheaper for the customers than if t bought the space directly, but the kicker turned out to be better rede tion. MCA will buy two facing pa in a newspaper, fill the space w coupons (23 cents off a can of So thing-or-other) and it finds that 3 of those coupons are redeemed at stores. A lone ad offering the sam cents off would average only 2.9%

Thomas P. Murphy heads a venture capital firm, Partnership Dankist, Stamford, Conn

mption. That .4% makes a differ-
ce to advertisers, and MCA has be-
me the biggest coupon distributor
the country, about 10 billion of
em last year.

So Jim McManus is sitting pretty, a
illionaire many times over and the
disputed boss of a thriving busi-
ss. Remember this, however: He
d to gamble heavily to get where he
McManus had been a "fast track"
n at Procter & Gamble after he
duated from Northwestern's busi-
ss school and he figured, maybe 30
ars out, he might even have a shot
the presidency. But P&G had a lot
"fast track" guys, and McManus
ooded that over those 30 years if he
d only one boss who really did not
e his taste in neckties he might not
ke it. So, he left P&G in the early
ties to go to work for a market
nsulting firm, which he left when
ey refused him equity—a piece of
e rock. At this point he took the
imate gamble and decided to go
o business for himself.

When he did so, he established two
ic principles, both of which grew
t of his experiences. One was to
ep the component units small so
t promising executives wouldn't
ve because they didn't have a
nce to run their own show. The
er principle was to give these ex-
tives a piece of the action. As a
ult, 37 of MCA's employees own
% of the business. McManus nor-
lly hires from the big marketing
npanies and pays no more than
y do, but he offers a bonus that
w averages 50% of salary.

He also has another plan for people
rting businesses for him. The latest
ture planned is 24 shopping-center
taurants. Their gimmick: fresh
ad. Uneasy about managing restau-
t help, McManus lured top operat-
people from fast-food chains and
e them 10% of the business.

As for Jim McManus, some old
ams are coming true. Just down-
am from his present riverfront of-
in Westport, Conn. he is rebuild-
an old warehouse into a plush new
dquarters for MCA. There are also
airplanes. As a poor farm boy in
sconsin, Jim McManus remembers
se airplanes that flew overhead on
ir way to Chicago and Milwaukee.
always wanted to fly one—always.
couple of years ago he got his li-
se, and MCA just acquired its sec-
plane. "They are really very effi-
nt," he assured me, "for a business
this one." ■

Why trading through a broker's branch office can cost you money.

Who benefits from branch offices? Investors who need advice and the broker salesmen who give it. But, if you are an investor who doesn't need a broker's advice, a branch office can be a costly middleman between you and New York where most stock transactions take place.

When you deal with Source, you eliminate red tape. You talk directly to our trading specialists who call your order to the Exchange floor. No salesmen, no secretaries and no teletype operators get between you and your transaction. You'll always be in contact and control. And you'll get fast, accurate executions and clearance.

Average Commission Savings at Source

Stocks	Options
53%	43%

Average percentage savings from the last NYSE fixed commission schedule in effect prior to May 1, 1975 on all trades executed through Source for a recent two month period.

By dealing directly with Source, you save from 30% to as much as 81% on commissions. (Commission savings on stocks average 53%; see chart.)

Along with savings and service you get maximum security. Your assets are fully protected by the resources of our world wide clearing organization and $500,000 in account protection.

So to cut red tape, as well as your trading costs, call for our free Commissions and Services brochure at **800-221-5338** toll free. In New York State call collect at 212-422-6000 Or mail in the coupon today.

Source Securities Corp., 70 Pine St., New York, N.Y. 10005 FOR416

☐ Please have someone from Source call me.
☐ Please send me your free Commissions and Services brochure and new account application.

Name_____

Address_____

City_____ State_____ Zip_____

Bus. Tel. (____)_____ Home Tel. (____)_____

SOURCE

MEMBER NYSE, NASD, SIPC

The broker for experienced investors

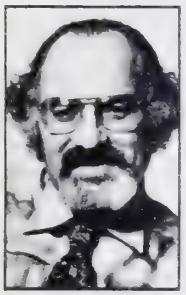
Slip Cases For FORBES

Rugged and handsome cases in red and black with title embossed in gold. Prices: $4.95 each, 3 for $14.00, 6 for $24.00. Send check to Jesse Jones Box Corporation, Department FB, Post Office Box 5120, Philadelphia, Pennsylvania 19141. Please allow three to four weeks for delivery.

The cries of growth! growth! growth! from Wall Street apparently sounded more like wolf, wolf, wolf to the market's ears.

RAGAMUFFINS REVISITED

By Martin T. Sosnoff



SOME TIME AGO I said: "It is Wall Street's wisdom that the secondary issues must succumb to the narrowing of the gap between the growth and value segments. Further, if the market declines, the ragamuffins will fall out of bed; and if the market continues to advance, leadership will be passed along to the quality stocks."

This particular wisdom wasn't very wise. During the interim, the market has risen over 7%. The quality growth proxy of five issues that I listed has risen 9.1%. Meanwhile, the ragamuffins have risen over 16%. The cries of growth! growth! growth! from Wall Street's research bastions apparently sounded more like wolf, wolf, wolf to the market's ears. If it weren't for the star performance of Schlumberger, my growth list would have declined.

The bulls on growth must still shoulder the burden of proof that growth stocks are where to be in the 1979-80 markets. What happens if oil pricing bites deeply into West European economies and slows growth there? In many cases almost all the growth of our multinationals comes from abroad, and when Europe slowed down in 1973-74 these companies lost momentum. It could happen again.

The idyllic image of the professional investor finally taking off his crash helmet and blithely bidding up growth stocks is simplistic wish fulfillment on the part of the professional investor who longs for the more orderly universe of the mid-Sixties. Then, inflation coasted along at 2% and interest rates in excess of 4½% existed only in banana republics and darkest Africa. The growthmanship game was dismembered by the surge in interest rates and the minirecession of 1973-74. Today's environment reminds me too much of that period to accept the growth-again argument. Now as then the very few hardliners on interest rates are shouted down by the chorus of believers that the peak is now. In Washington, our inflation czar, Alfred Kahn, is perplexed by the runaway trend in wholesale and consumer prices. Nobody came close to projecting such double-digit trouble.

The January rally proved the pros are all too ready to jump the gun. As soon as they think interest rates are topping out and the economy faltering, the market booms. By the time the trend is obvious, it will be too late to jump in. Wall Street prospers while the unemployment rolls lengthen and overtime disappears for the guys in work shoes. So goes the consensus. Don't count on it. As long as the consumer sector shows meaningful growth in real disposable income, that major component of GNP will not falter.

Meanwhile, the leadership in Washington pussyfoots from disaster to (saster. The gradualist policy of t Federal Reserve Board gets us r where. While we are OPECed death, there is no coordinated lor range policy to reduce our dependen on foreign oil. President Carter, li the subliminal bulls on Wall Stre prays for recession. If only the who sale price index will behave, our dol will work higher. If only the consum will stop his rampage, selective cre controls will not be necessary. If o Europe will grow faster, our expo will accelerate. If only . . . if only if only. . . .

Someday, growth stocks will lead t market into the wild blue yonder wh Presidents shed their pragmatism a finally face the issues and, therel restore confidence in our country's ture. Today, anything short of a percrisis draws factional debate a inaction. High gasoline prices are litically inexpedient short term. W irritate General Motors, George Mea and the American public? Isn't it bet to coast along at 55 miles per hour?

Meanwhile, our country changes indirection and necessity, not by le ership. Maybe half the houses in ru Maine, New Hampshire and Verm are now burning wood, not heat oil. It is a sinful incongruity when most technologically advanced co try in the world has wood-burn stoves as a new growth industry. putting in two wood burners i glass-and-stone contemporary. Ob ously, it is only a matter of time fore firewood prices approach coal oil on a comparable BTU basis, and that time Wall Street will be talk about another growth industry.

For you emerging growth stock n vens, how about buggy whips? ■

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

The M.T.S. scorecard

Up 16.5%, the ragamuffins again beat out the growthies (a 9.1% rise).

Growthies	11/21/77	4/21/78	3/23/7
Automatic Data Processing	28	29	30
Schlumberger	70	68	104
K mart	29	27½	25
General Reinsurance	172	156	175
McDonald's	50	50	43
Standard & Poor's 500 stocks	95	94	101.
Average price change 4/21/78 to 3/23/79 + 9.1%	Standard & Poor's index + 7.7%		
Ragamuffins			
Geico	8	8	9
Reliance Group	24	33	40
Clorox	14½	13	12
American Medicorp	15½	24	Acquire
Syntex	20½	25	35
Average price change 4/21/78 to 3/23/79 + 16.5%			

Substitute ragamuffins (for Clorox, Medicorp, Geico)
De Beers, Penn Central, First Charter Financial

FINANCIER

THE JOURNAL OF FINANCIAL AFFAIRS

ou are invited to a monthly meeting f Private Sector Policy Makers

You are invited to join the subscribers to inancier—more than 30,000 executives re- ponsible for policy judgment in the financial rea — the leaders whose corporate actions ove the entire private sector.

Financier serves their needs for the hard ok ahead into the issues that most concern em in the exercise of their responsibilities.

World class journalists report each month terse, succinct style—without the need to tice the uninterested or educate the unin- rmed—on matters of policy consequence. heir charter is to anticipate, interpret, halyze, discover, for readers of maximum apacity and authority.

Financier correspondents have shed fresh ght recently on such topics as antitrust, rotectionism, productivity, the political as- endancy of inflation over unemployment, ension underfunding, regulation, environ- ental costs and corporate governance.

America's preeminent executives partici- ate regularly in this unique forum. Recent ontributors have included:

Irving S. Shapiro,
Chairman, Du Pont:
Patent Law Practices Impede R & D

Philip Caldwell,
President, Ford:
US Becoming Economic Colony

A. W. Clausen,
President, Bank of America:
On Staying in South Africa

Harry J. Gray,
Chairman, United Technologies:
Thoughts on Acquisitions

Reginald H. Jones,
Chairman, General Electric:
New Tax Goals for Business

C. William Verity,
Chairman, Armco:
Chief Governance Officer Proposed

Rawleigh Warner Jr.,
Chairman, Mobil:
US Extraterritorial Restraints on Business

Robert H. Malott,
Chairman, FMC:
The Need for a National Trade Policy

You are invited to join in this forum **at a special introductory rate:** 20% off the regular subscription price—12 issues for $48. Simply fill out the coupon below. Financier will send you your first issue and a bill. If you do not want a second issue, just write Cancel on the bill and return it. If you want to continue to share in this policy discourse, send your check—and receive Financier for a full year.

FINANCIER
THE JOURNAL OF FINANCIAL AFFAIRS
919 Third Ave., New York, NY 10022

Please enter my subscription to FINANCIER at the special introductory rate of $48 for 12 issues—20% less than the standard rate. I understand that if I am not totally satisfied with the first issue, I may write CANCEL on the invoice and return it to you without cost or obligation.

Name_____

Address_____

City_____ State_____ Zip_____

Forbes Index

Index of companies covered in news stories and by the columnists in this issue.

AM Intl 104
Aetna Life & Casualty 108
Alexander's 61
Amerada Hess 159
American Broadcasting 159
American Express 44, 158
American Standard 118
AT&T 117
Ashland Oil 134
Atlantic Capital 134
Audi 10
Avco Financial Services 44
Avon Prods 142
Banco Do Brasil 16
Bank of America 44
Bankers Trust 17, 116
Barclays 44, 45
Batterymarch Financial Mgmt 117
BMW 10
John Blair & Co 159
H&R Block 156
Boise Cascade 70
Robert Bosch 154
Cabot, Cabot & Forbes 46
Capital Cities Communications 159
Capital Guardian Trust 117
Central Cartage 99
Chase Manhattan 116
Chemical New York 116, 118
Church's Fried Chicken 158
Citicorp 44, 116, 134, 152
Coldwell, Banker 46
Colt Inds 154
CBS Records Intl 148
Compugraphic 104
COMSAT General 108
Consolidated Foods 142
Consolidated Papers 70
The Continental Group 44
Thomas Cook 44
Crédit Suisse 128, 134
Datsun 10
De Beers 156
Denny's Inc 159
Detroit & Canada Tunnel Corp 99
Deutschebank 134
Dresser Inds 82
Dreyfus Corp 134
Eastman Kodak 104
Echlin Mfg 154
Eltra 104
Emerson Electric 154
Europartners Securities 134
Federal Natl Mortgage 156
Federated Dept. Stores 93
Fiat 10
Fidelity Mgmt & Research 134
First Boston 134
First Natl Bank (Chicago) 45, 117
First Natl Bank (Dallas) 117
Ford 45
General Motors 117
General Signal 154
Georgia-Pacific 70
Getty 157
Greyhound 152
Hillenbrand Inds 156
Honda 10
Ingersoll-Rand 81
Interbank 44
IBM 104, 131, 154
International Paper 70
Walter Kidde 152
Lanier Business Prods 104
Loeb Rhoades, Hornblower 66
Marriott 46
McGraw-Hill 158
Macy's 61, 93
Manufacturers Hanover 6
Marketing Corp of America 160
Mead 70
Melville 93
Merrill Lynch 66, 134
Mitsukoshi Ltd 147
Morgan Guaranty Trust 116
New York Life Insurance 46
Ohio-Sealy Mattress 147
Pall Corp 100
Pay 'n Save 110
Pioneer Fund 99
Pitney-Bowes
Ponderosa System
Porsche
T Rowe Price Assocs
Prudential Insurance
Quick & Reilly Inc
Ralston Purina
Renault
Revlon
Rothschild Bank
Ruegg Bank
SACILOR (France)
St. Regis
Santa Fe Intl
Fayez Sarofim & Co
Satellite Business Systems
Sears, Roebuck
Sheraton
SmithKline
Societé Nationale Industrielle
Sohio
Source Capital
Southeast Banking
Southern California Edison
Steyr Daimler Puch
Levi Strauss
Swire Properties Ltd
Swiss Bank Corp
Swiss Re
Takashimaya
Textron
Toronto-Dominion Bank
Towers, Perrin, Forster & Crosby
Union Bank of Switzerland
United Technologies
USINOR (France)
Volkswagen
Wang Labs
Warburg Paribas Becker Inc
Wells Fargo
Western Bancorp
WNET
Xerox

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

*announcing:

the second national seminar on

Individual Rights in the Corporation

JUNE 24–26, 1979 • BILTMORE HOTEL • NEW YORK CITY

*hear:

THOMAS A. MURPHY
Chairman of the Board
General Motors

JOHN W. JOANIS
Chairman of the Board
Sentry Insurance

ROSABETH MOSS KANTOR
Professor of Sociology
Yale University

ROBERT COULSON
President
American Arbitration Association

SENATOR EDWARD M. KENNEDY
Democrat
Massachusetts

HERBERT MARKLEY
President, The Timken Co. and
Chairman, National Association of Manufacturers

ALEXANDER B. TROWBRIDGE
Vice Chairman
Allied Chemical Company

HENRY GELLER
Assistant Secretary
U.S. Department of Commerce

*featuring:

Over 40 sessions on employee privacy, expression and dissent, fair procedure mechanisms, and new modes of worker and management participation in decision-making. Also, case study presentations by two dozen leading companies of how they handle specific employee rights areas, including Polaroid, IBM, Aetna Life, General Electric, Corning Glass, Monsanto, Digital Equipment, Exxon, Pfizer, American Telephone and Telegraph, Standard Oil (Indiana), Citibank, TWA, Envirotech, St. Paul Companies, American Velvet, and Management Science America.

*sponsor:

The Educational Fund for Individual Rights, Inc., an independent non-partisan, not-for-profit foundation under New York law.

*seminar director:

DR. ALAN F. WESTIN,
Professor of Public Law and Government, Columbia University

CHECK BELOW TO RECEIVE FULL DETAILS AND PROGRAM, OR—SINCE SPACE IS LIMITED—USE THIS FORM TO REGISTER NOW.

☐ Register me for The Second National Seminar on Individual Rights in the Corporation, June 24-26, 1979

☐ Please send me more information on The Second National Seminar on Individual Rights in the Corporation

Corporate, foundation and business group fee ..... $495.00 per person

Government Agencies ..... $250.00 per person

Fee for 501(c) (3) and (c) (4) public interest organizations and university faculty ..... $200.00 per person

Name _____

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Fees are tax-deductible, as an educational expense. They include all conference sessions, conference materials and special luncheons.

Please make your check payable to: Second National Seminar on Individual Rights in the Corporation, and mail to Luceil Sullivan, 10th floor, 22 East 40th Street, New York, New York 10016

Blessed are the young, for they shall inherit the national debt.
HERBERT HOOVER

The great man is not convulsible or tormentable; events pass over him without much impression.
RALPH WALDO EMERSON

Complacency is the enemy of progress.
DAVE STUTMAN

Anger is a prelude to courage.
ERIC HOFFER

'Tis known by the name of perseverance in a good cause, and obstinacy in a bad one.
LAURENCE STERNE

Muddy water let stand will clear.
CHINESE PROVERB

Heads are wisest when they are cool, and hearts are strongest when they beat in response to noble ideals.
RALPH BUNCHE

The price of greatness is responsibility.
WINSTON CHURCHILL

I feel the responsibility of the occasion. Responsibility is proportionate to opportunity.
WOODROW WILSON

The income tax has made more liars out of the American people than golf has. Even when you make a tax form out on the level, you don't know when it's through if you are a crook or a martyr.
WILL ROGERS

A man is rich in proportion to the number of things which he can afford to let alone.
HENRY DAVID THOREAU

Thoughts on the Business of Life

The man who is bigger than his job keeps cool. He does not lose his head, he refuses to become rattled, to fly off in a temper. The man who would control others must be able to control himself. There is something admirable, something inspiring, something soul-stirring about a man who displays coolness and courage under extremely trying circumstances. A good temper is not only a business asset. It is the secret of health. The longer you live, the more you will learn that a disordered temper breeds a disordered body.
B.C. Forbes

A man has no more character than he can command in a time of crisis.
RALPH W. SOCKMAN

Physical courage, which despises all danger, will make a man brave in one way; and moral courage, which despises all opinion, will make a man brave in another.
CALEB C. COLTON

It is courage the world needs, not infallibility . . . courage is always the surest wisdom.
WILFRED GRENFELL

Avoid letting temper block progress—keep cool.
WILLIAM FEATHER

More than 3,000 "Thoughts," indexed by author and subject, are available in a 574-page book at $11.95. Send check and order to: Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.

Taxes are not levied for the benefit of the taxed.
ROBERT HEINLEIN

In vain he seeketh others to suppress who hath not learne himself first to subdue.
EDMUND SPENSER

Than self-restraint there is nothing better.
LAO-TZU

The best cure for anger is delay.
SENECA

When angry, count ten before you speak; if very angry, 100.
THOMAS JEFFERSON

The control man has secured over nature has far outrun his control over himself.
ERNEST JONES

Activity makes more men's fortunes than cautiousness.
MARQUIS DE VAUVENARGUES

A Text . . .

For of whom a man is ove come, of the same is he brought into bondage.
II PETER 2:19

Sent in by Otto Gruber, Long Beach, C What's your favorite text? The For Scrapbook of Thoughts on the Business Life is presented to senders texts used.

No man is free who is not master of himself.
EPICTETUS

Faced with crisis, the man of character falls back on himself.
CHARLES DE GAULLE

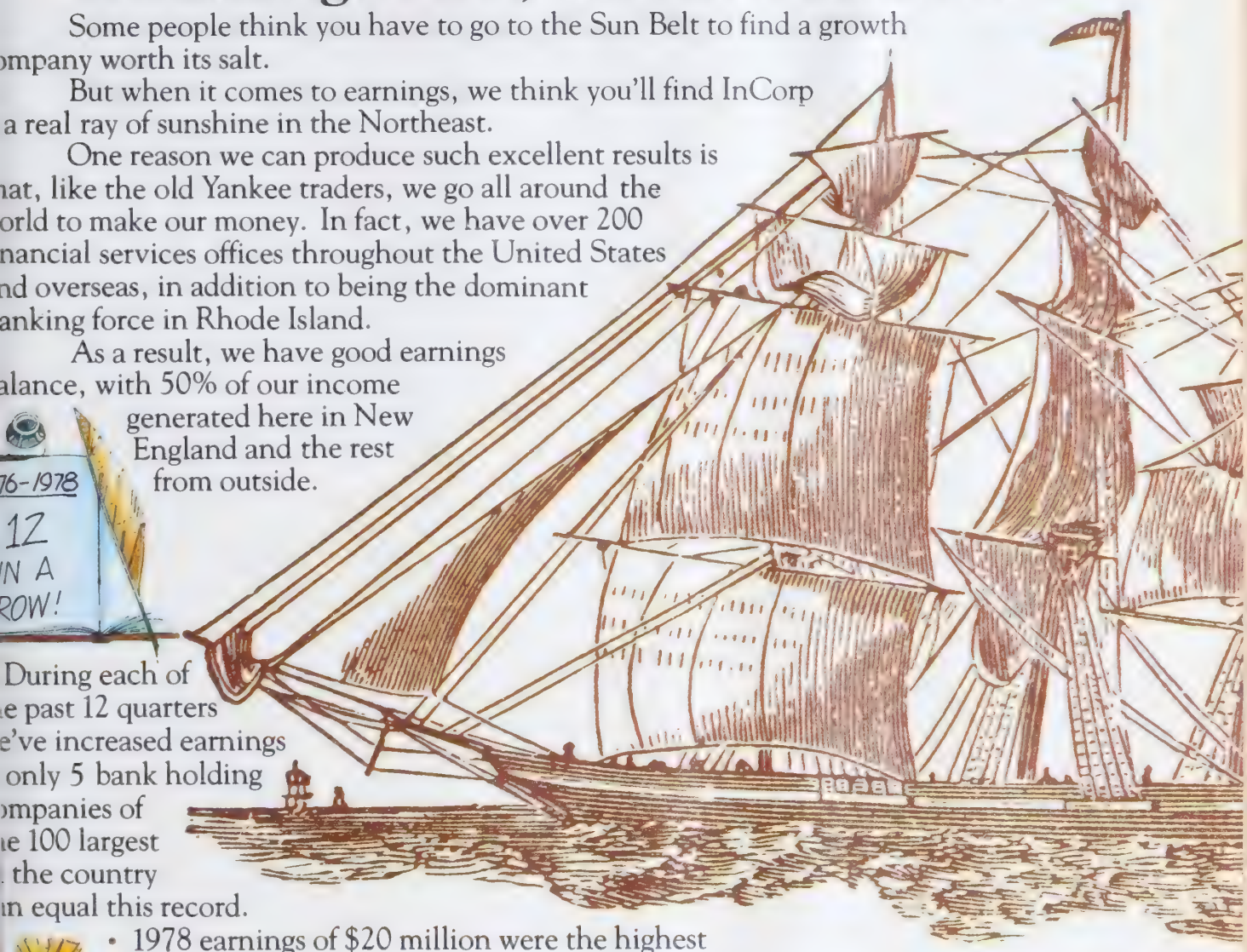
In the tradition of the old Yankee sea captains, we've gone quietly about the job of building a solid, worldwide business.

Some people think you have to go to the Sun Belt to find a growth ompany worth its salt.

But when it comes to earnings, we think you'll find InCorp a real ray of sunshine in the Northeast.

One reason we can produce such excellent results is hat, like the old Yankee traders, we go all around the orld to make our money. In fact, we have over 200 nancial services offices throughout the United States nd overseas, in addition to being the dominant anking force in Rhode Island.

As a result, we have good earnings alance, with 50% of our income generated here in New England and the rest from outside.



During each of e past 12 quarters e've increased earnings only 5 bank holding ompanies of ie 100 largest the country n equal this record.

- 1978 earnings of $20 million were the highest in our history.
- Regular dividend increases complement our record of never having missed a dividend since 1792.
- Return on common stockholders equity was 14.3% during 1978.

all adds up to performance you can count on.

For more information write:
Georgina Macdonald,
Director, Corporate Communications,
InCorp, 55 Kennedy Plaza, Providence, Rhode Island 02903

INCORP
INDUSTRIAL NATIONAL CORP

A financial services company

InCorp Performs.

NYSE-INB

Industrial National Bank, Prov., R.I. • Inleasing Corp., Prov., R.I. • Ambassador Factors, New York, N.Y. • Mortgage Assoc., Inc., Mil., Wis. • Kensington Mortgage and Finance Corp., Mil., Wis. • Southern Discount Co., Atl., Ga. • Information Sciences, Inc., Prov., R.I. • Westminster Properties, Inc., Prov., R.I. • International Appraisal Co., Paramus, N.J. • Industrial International Bank, N.Y. • Industrial Capital Corp., Prov., R.I. • Industrial Nat. Mortgage Co., Prov., R.I. • C-O-M Service Bureau, Inc., Boston, Mass.

JUSTERINI & BROOKS Founded 174

In a world growing more and more complex, it's still possible to think of simple pleasures.

Think rare.

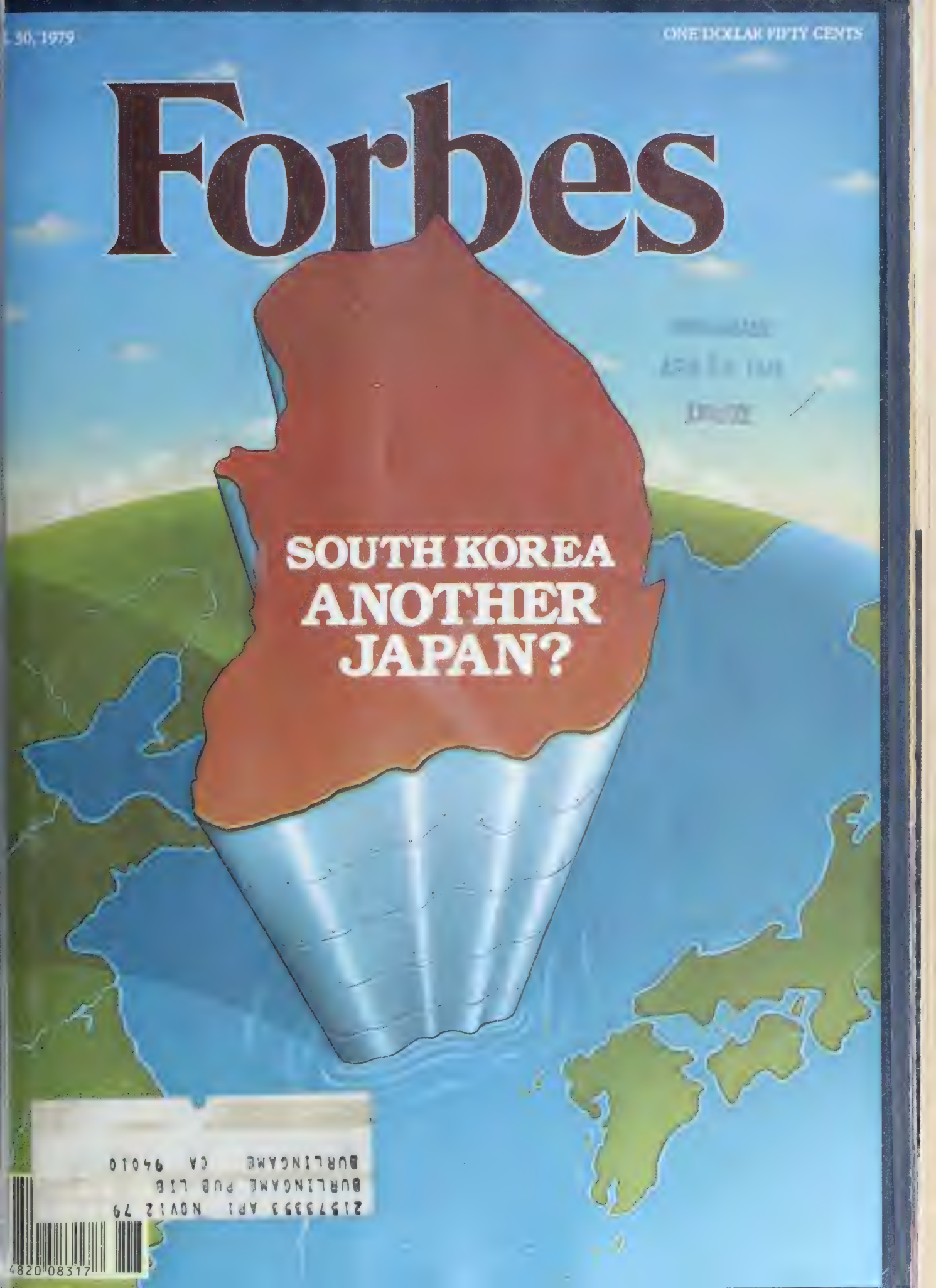
J&B RARE SCOTCH

86 Proof Blended Scotch Whisky ©1979 Paddington Corp., N.Y.

30, 1979

ONE DOLLAR FIFTY CENTS

Forbes



SOUTH KOREA ANOTHER JAPAN?

21573393 API NOV12 79
BURLINGAME PUB LIB
BURLINGAME CA 94010

4820 08317

At Manufacturers Hanover, tomorrow's way of business is already here...

"AN AIRLINE THAT OVERBOOKS TODAY MIGHT FIND ITSELF UNDERBOOKED TOMORROW."

FRANK BORMAN, PRESIDENT, EASTERN AIRLINES

Last year, overbooking grounded more than a hundred thousand passengers—on all airlines combined.

Airlines overbook because passengers with reservations don't always show up.

A VIEW ON AIRLINE OVERBOOKING FROM EASTERN.

And no-shows mean empty seats on a flight other people want, and lost revenues for the airlines.

At Eastern Airlines, we've developed a better way to help offset no-shows. It's called the Conditional Reservation. And, because of it, our record in honoring reservations is better than any of our competitors'.

With a Conditional Reservation, you know in advance that your preferred flight is already booked, and you might not get on—but that you'll fly free on the next flight with available seats if you don't.

Chances are good that you'll get the flight you want. Because 96 percent of those passengers who have booked a Conditional Reservation on Eastern have gotten on the flight of their choice—a total of nearly 2 million to date.

At Eastern, we know that providing good, personal service is just good business. And, if it takes an innovative idea—like the Conditional Reservation—to serve you better, we'll make that our business too.

After all, there are a lot of airlines you can fly besides Eastern. So, if we expect you to fly with us again, we know we can't leave you on the ground.

At Eastern, we know we have to earn our wings every day.

EASTERN

WE HAVE TO EARN OUR WINGS EVERY DAY

America, the beautiful.

Open any newspaper, listen to any newscast, eavesdrop on any luncheon conversation, and you'll get a load of what's wrong with this country.

Inflation. Unemployment. Crime. Corruption.

But there's still plenty that's beautiful about America. And our economic system.

Despite our problems, there are more well-paid, well-fed, well-clothed and well-educated people in America than anywhere else in the world.

Faults? Sure, we've got them. And problems, too.

But, honestly, can you think of any other nation better equipped to cure its faults and solve its problems than this one?

Maybe, the United States will never be Utopia. But we're working harder at it, getting closer to it than any other country in the world.

This G-440 Gradall® hydraulic excavator grades and turns more than 100 miles of unlined irrigation canals annually in Oregon, helping speed water flow through the canals and reduce weed growth. Since 1958, the Oregon Talent Irrigation District has used Gradall for all ditch maintenance work.

WARNER & SWASEY

Productivity equipment and systems in machine tools, textile and construction machinery

© 1979 THE WARNER & SWASEY COMPANY Executive Offices 11000 Cedar Avenue, Cleveland, Ohio 44106

Forbes

April 30, 1979
Volume 123, Number 9

Transportation: If we can put a man on the moon, can't we design a new and better bus for energy-saving urban transportation? Alas, no. **41**

Companies: With two lightweights out of the way, ailing Kennecott Copper Corp. now has a heavyweight boss. **47**

Cover Story: The Brookings Institution hasn't got to South Korea yet, but it will. Korea expects in a dozen years to have an economy as large as France's today. **53**

Railroads: Chessie System shareholders may appear to be getting the worst of the deal in the proposed merger with Seaboard Coast Line, but look again. **83**

The Up-And-Comers: Like Muhammad Ali lool ing for just one more t tle fight, fast-maturir Xomox is searching f new synergy. **100**

Features

Companies: *The Pride Of The Gods.* Former iceman Wallace Rasmussen was undone as chairman of Beatrice Foods by an overweening pride. Even so, he is still in the picture. **43**

Nuclear Energy: *Commonwealth Edison's Financial Fallout.* Chicagoans haven't panicked because of the Three Mile Island nuclear accident. But the nation's biggest generator of nuclear energy has big problems even so. **44**

Companies: *Enlisting Elsie.* Making methane gas out of cow manure seems like a hot concept left over from the Sixties. A smart Oklahoman has made it work. **45**

Companies: *Cyclical Is As Cyclical Does.* Why is Union Camp the most profitable paper company? Timing. **46**

Companies: *Repealing Murphy's Law.* Everything that could go wrong at Tosco Corp. did. Or used to, that is. **64**

Companies: *Tuscaloosa's Calling.* The "Tuscaloosa Trend" is one of the hottest new gas drilling areas in the U.S. for two of the best reasons. **66**

Egypt: *A Mirage In The Desert?* "You cannot give what you do not have," says the Arab proverb. How much oil will Egypt really have in its new Sinai fields? **70**

Oil: *Stumbling In Stockpiling.* Why can't the U.S. stockpile oil as effectively as other countries? **74**

Companies: *When Doing It Right Is Wrong.* American Natural Resources promoted conservation, found new gas supplies. Unfortunately that doesn't seem the way to go. ... **79**

Insurance: *Worst-Case Policies.* London broker Julian Radcliffe will cover you even against wars. **80**

Companies: *Rascality Springs Eternal.* New Jersey investigators consider Salvatore Caravetta among their shrewdest adversaries. Here's why. **87**

Perks: *A Suit-able Expense.* Tax-soaked Britain has found an ingenious executive survival gimmick. **92**

Statistical Spotlight: *Gold Among The Garbage?* Some careful selections from the bargain basement. **94**

The Streetwalker: *K Mart's Fast Track.* In one important category, it may pass Sears by 1981. .....

Companies: *Never Say Die.* Eltra fell behind in two of its most important product lines. But it stayed in there and kep slugging. 1

Investments: *A Modest Proposal.* In the takeover pressure cooker, even arbitrageurs are becoming activists. 1

Faces Behind The Figures

Bradford G. Corbett (The Texas Rangers)
Marshall McDonald (Florida Power & Light) 1

Philip M. Hawley (Carter Hawley Hale)
Manuel Zarraluqui (Croft & Co.) 1

Peter Ueberroth (Los Angeles Olympic Committee)
Howard Ruff *(The Ruff Times)* 1

Money And Investments

The Economy: Bill Miller is keeping his head in the crossfire between Friedmanites and neo-Keynesians. 1

Columnists

Ben Weberman 138
Heinz H. Biel 140
Martin T. Sosnoff 142
Srully Blotnick 144
Stanley W. Angrist 1
Richard B. Hoey 1
John Train 1

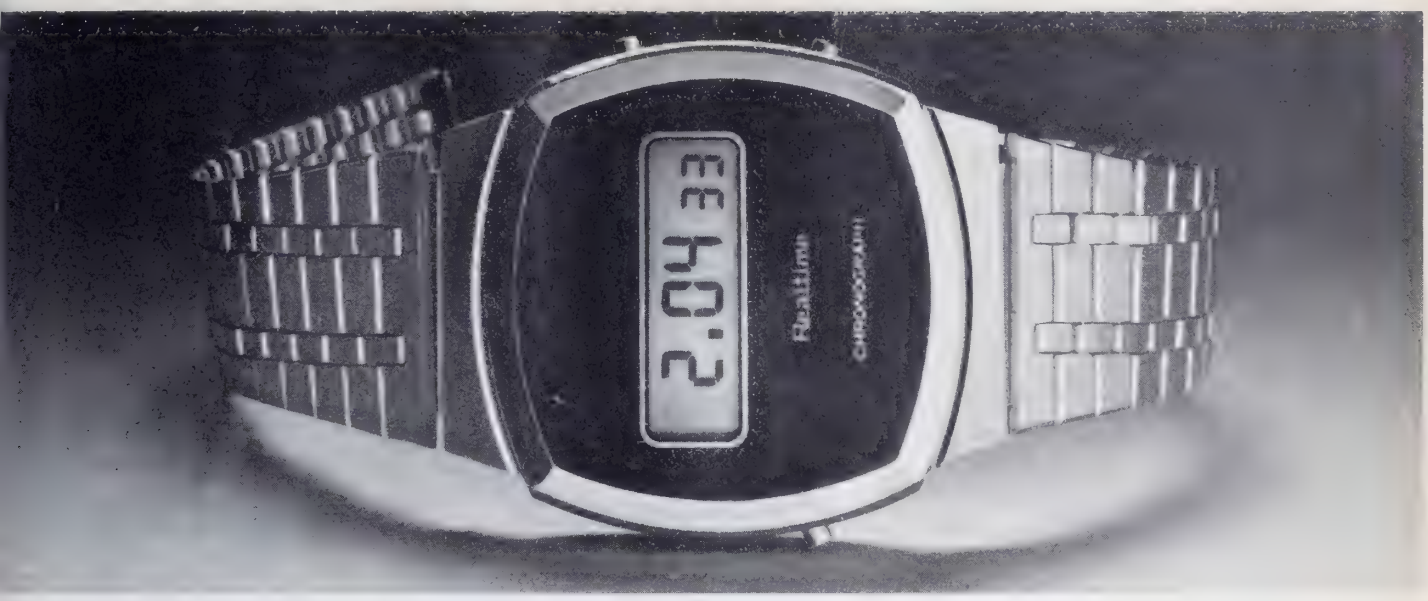
Departments

Side Lines 6
Trends 10
Follow-Through 16
Readers Say 25
Fact and Comment .....
Editorial Index 1
Thoughts 1

Credits: **Photos**—pp. 6, 53, 72, David Burnett/Contact; p. 10, Wide World; p. 16, Marc Gil; p. 42 middle, UPI; p. 43, Richard Faverty/New York Times; p. 44 left, Art Shay; p. Jim Lucas/Black Star; pp. 46, 106, Pat Pagnano; p. 48, Mike Evans/Liaison; pp. 54, 55, 57, 70, Sygma; p. 56, Bernard Krisher/Newsweek; pp. 64, 133 bottom, John Moss/Black Sta 67, Mike Smith/Black Star; p. 79, J. Edward Bailey; pp. 80, 134 top, Dick Lowry; pp. 83, Judith Gefter; p. 92, Peter Marlow/Sygma; p. 132 top, Jim Cheal/Pelham & Friends; p bottom, Ft. Worth Star Telegram; p. 133 top, Brian Wolff; p. 134 bottom, John Grossm **Drawings**—pp. 87, 88, Milt Kobayashi; **Maps and Charts**—pp. 66, 84, 137 Andrew Chri Matrix Design

Cover Illustration: Mark Hess **Design Consultant:** Peter Pala

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N 10011. Second-class postage paid at New York, N.Y. and at additional mailing offi Subscription $24 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth A New York, N.Y. 10011. Copyright © 1979 Forbes Inc.



ULTRA THIN: Someday all watches will be thinner. Realtime does it today for $89.

f you own a digital chronograph now, it's nost likely too bulky and heavy. A man's vristwatch has traditionally been judged y the thinness of its case. The ultra thin vatches are the most expensive and the nost prized. For example, the new Citizen super thin watch sets a world tandard for thinness, but it costs $1200. he new Seiko Super Thin is over $5000.

WO QUARTERS

But now there's a new thin digital hronograph that represents a significant echnological breakthrough by Realtime. he brainchild of microcircuitry, the Ultra hin represents a radical departure. Slim nd elegant, the Ultra Thin is only 4 mm hin, and weighs only 2.5 ounces. Hold it ideways and you'll be amazed: it's as hin as two quarters! And its outstanding raftsmanship makes it rugged as well. 00% solid stainless steel case and and, not chrome or "silvertone." The Jltra Thin is also available with 5 microns f gold plating. The tempered mineral lass face crystal retards everyday cratching and dulling, so your watch will naintain its handsome appearance for ears. The band is fully adjustable, and eautifully proportioned to your watch's inner dimensions.

VATER-TESTED

he Realtime Ultra Thin is water-tested, o 2 ATM, or 60 feet of water pressure. Few chronographs can make this claim. Realtime takes perspiration, salt water, and high humidity with ease. You can run with it, swim in the ocean, or even sauna with it, and never worry about condensation or corrosion.

STOPWATCH

You'll get complete chronograph features as well. Day and date calendar with automatic month adjustment. Stopwatch to 1/100 second. Nightlight. Lap times, splits, and 1–2 finishes. Accuracy is guaranteed to within 5 seconds per month, though you'll probably find that your watch won't vary more than 1–2 seconds. Accuracy that makes Realtime equal to the finest marine chronometer —without the expensive price tag.

NO RISK

It's easy to order directly from The Sharper Image. Just call the toll-free number, ask for the operator and give your name and credit card number. Most orders are filled immediately. You're under no obligation until after you receive your watch, and have two weeks to examine it in the privacy of your home or office. If you decide to keep it, you'll be pleased to know it's covered by the Realtime limited one-year warranty on parts and labor. A convenient Realtime service-by-mail center does a good, careful job in the rare event repair is needed. The Ultra Thin never needs routine service, as there are no moving parts. If you don't wish to own the Ultra Thin Quartz Realtime, you simply mail it back as new for a prompt, courteous refund. However, prices keep going up, so order now. The Ultra Thin in solid stainless (#102) is $89. In 5 micron gold plating over stainless (#103) the price is $99. Either way you'll own an Ultra Thin chronograph that is built to the highest standards and combines the latest features in a rugged, thin timepiece.

ORDER NOW TOLL-FREE

Credit card holders may use the toll-free numbers below. Or send check. Add $1.50 delivery, plus sales tax in CA ($5.34 for stainless, $5.94 in gold).

(800) 331-1000

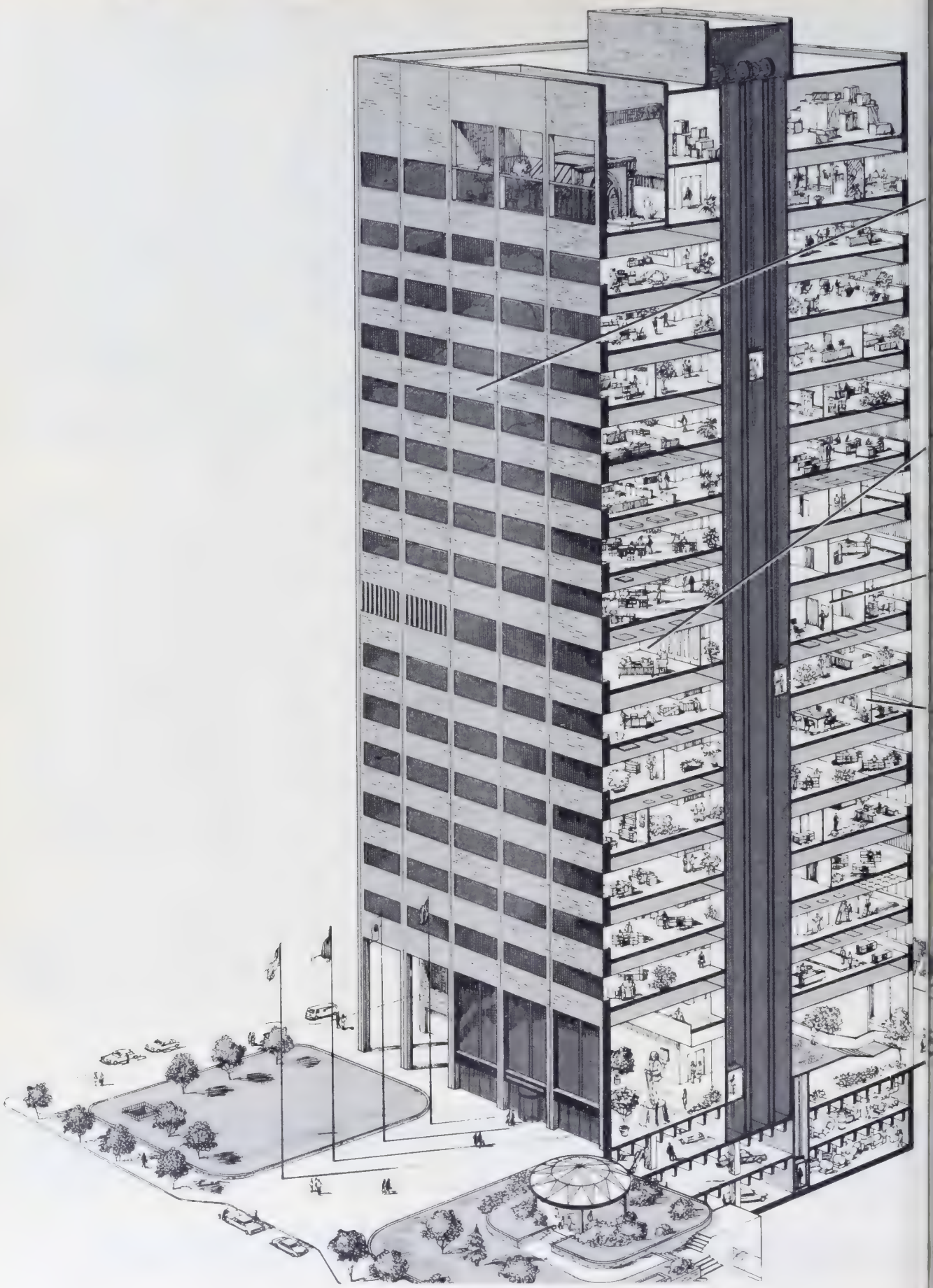
In Oklahoma (918) 664-8300 collect

THE SHARPER IMAGE™

260 California Street , Dept. 27
San Francisco, CA 94111

©1979 The Sharper Image

How Johnson Controls gives Jim Marki

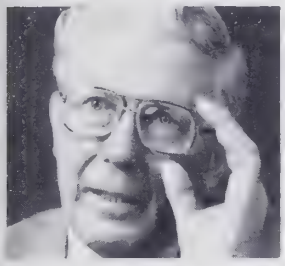


Your single source for design, manufacture, installation and service of automated building controls. Proprietary or time-shared. Energy management, heating, air conditioning, fire management, security and communications. © 1979 Johnson Controls, Inc.

otal control of Benj. Franklin Plaza.

Tell us about your building, Mr. Markin.

We have a commercial building, four years old. It has 20 stories above ground and three below. All told, 391,000 square feet. Rental space is divided among 50 tenants. The main tenant—that's us, Benj. Franklin Federal Savings & Loan—moved in during November, 1975. Our executive offices are in the building. It's a lot to keep on top of. But as owners and operators we must have total control over every square foot.



And do you have total control?

We built a Johnson Controls JC/80 computer right into this building. It was the first totally automated building in the Northwest. Heating, ventilating, air conditioning are all controlled by the computer. Our lighting, our security, including a card access system for the elevators after hours, is controlled by the JC/80. And not only is the building protected by sprinklers, but our JC/80 can locate a fire, call the fire department, and give evacuation instructions, too. I'd call that total control.

How much does the JC/80 save you?

We've always had the JC/80, so I have no previous figures to compare to. But I can tell you this. Rental rates are based largely on operating costs, and last year our rates went up less than 4%. That's a lot less than the rise in utility charges. And all systems are carefully monitored, 24 hours a day, by the computer, our building engineer, or his assistant. He doesn't even have to be at the console. The computer asks for him if there's a problem. This *has* to be a major savings in manhours. And we have new programs, new savings in the works.

New programs, new savings?

Take our meeting rooms. Things are happening there maybe three nights a week. Or maybe a tenant wants to work late. Used to be we had to heat or cool the whole building to use a floor after hours. But now we've programmed the JC/80 to deliver air to each floor individually. And added a start-stop program to save steam. And a demand-limiting program to cut electric bills. It's too soon to give you hard savings, but we estimate $950 to $1000 a month. I'll have to revise these savings upward, because I've heard our electric rates are going up 21.2%. Anticipated payback for these capital modifications is less than two years.

Do you have a service agreement with Johnson Controls?

We do. Johnson Controls is capable of handling all or any part of control maintenance, but we do a lot ourselves, because the computer frees up our building engineer. Johnson Controls is responsible for maintaining the vital legs of the computer system. They have the experience, the people, and the tools to do this job best. So we just leave it to them.

Lance Markin
Building Manager
Benj. Franklin Plaza
Portland, Oregon

JOHNSON CONTROLS

he total control company

Johnson Controls has the experience, the people, and the tools to design and install a total building automation system for your building. For information on how to get total control through automation, fill in this form and mail to:

Mr. Ron Caffrey, Vice President, Marketing, Ref. G-13, Johnson Controls, Inc., Box 423, Milwaukee, Wisc. 53201

NAME_____

TITLE _____

COMPANY_____ PHONE _____

STREET ADDRESS _____

CITY _____ STATE _____ ZIP_____

Forbes

Editor
James W. Michaels

Managing Editor
Sheldon Zalaznick

Executive Editors: Dero A. Saunders, James Cook, Norman Pearlstine (West Coast and Pacific)
Economics Editor: Ben Weberman
Art Director: Everett Halvorsen
Senior Editors: Ruth M. Gruenberg, Robert J. Flaherty, Geoffrey Smith, Howard Rudnitsky, Jefferson Grigsby, John A. Conway, Stanley H. Brown, Malcolm S. Forbes Jr
Contributing Editor: Richard Phalon
Associate Editors: Clothield Spencer, Paul W. Sturm, Paul Blustein, Paul Gibson, Jean A. Briggs, Phyllis Berman, Lawrence Minard
Staff Writers: Harold Seneker, James O'Hanlon, Nick Galluccio, Allan Sloan
Reporters: Elizabeth Bailey, Brian McGlynn, Betty Franklin, Cynthia Saltzman
Reporter-Researchers: Flora S.H. Ling, Chief; Sharon Reier, Thomas Jaffe, Richard Greene, Tedd Cohen, William Harris, Gerald Odening, Linda Gasparello, Christine Miles, Ayako Doi, Alyssa Lappen
Statistical: Robert M. Sterenson, Editor, Donald E. Popp, Associate Editor; Edward Sakalian, Maria M. Latorraca, Ann Oliver
Washington Bureau: Jerry Flint, Manager, Fern Schumer
West Coast Bureau: Kathleen K. Wiegner, John Merwin, Ellen Paris, Anthony Spaeth
Southwestern Bureau: James Flanigan, Manager; Jane Carmichael
Midwestern Bureau: Bob Tamarkin, Manager; Marcia R. Berss
European Bureau: Barbara Ellis
Copy Department: Dolores Guilhot, Donald Zipperer, Jane Lashaw
Art Department: Roger Zapke, Theodore Smith, Assistant Directors; Nikki Frost, Philip Gefter, Photo Researchers
Columnists: Heinz H. Biel, Thomas P. Murphy, Stanley W. Angrist, John Train, Martin T. Sosnoff
Director of Production: John J. Romeo; Robert M. Rosengarten, Edward B. Morgan, Diane B. Freeman, Robert D. McDaniel, Assistants
Advertising Production: Patricia Deckelmick
Photocomposition: James Cianelli, Manager, Lynn Gaspar, Johnnie English, Arthur Petz
Librarian: Dolores A. Latamiotis, Clarita Jones, Santiago Alvarado, Gloria Katz

President and Editor-in-Chief
Malcolm S. Forbes

Publisher
James J. Dunn

Executive Vice President
Leonard H. Yablon

Vice President and Secretary: Malcolm S. Forbes Jr
Vice President and Treasurer: Leonard Greenberg
Vice President and Assistant Publisher: Christopher Forbes
Controller: Joel B. Redler
Director of Advertising: Stephen G. Nicoll
Director of Corporate Communications: Wm. Donald Garson
Director of Circulation: John M. Thornton
Director EDP: Jerome Hoffman
Advertising Representatives:
New York: 60 Fifth Ave., 10011, Peter M. Schoff, Manager; Arnold J. Prives, Fin'l Adv. Mgr.; George C. Clissold, Donald W. MacDonald; G. Croft Henry; Charles S. Thorn; John A. Wilson; Richard Calkins; James W. LaCrignola, Dir. Int'l Adv.; H. Duncan McMillan, Dir. Spec. Proj.; Thomas G. Petersen
Atlanta: 550 Pharr Rd. N.E., 30305, Don L. Uhlenhopp, Manager
Chicago: 135 N. Michigan Ave. 60611, Richard W. Reynolds, Manager.; James H. Mallon, Fred H. Wellington
Cleveland: Suite 501, The Leader Building, 44114, James B. Norton, Manager
Dallas: 4681 First National Bank Building, 75202, Donald R. Brown, Manager, William R. Arnold, Co-Dir. Spec. Proj.
Detroit: 3331 West Big Beaver Rd., Troy, Mich. 48084, Richard E. Forbes, Manager
Los Angeles: 9900 Wilshire Blvd. 90036, Robert L. Kimmerle, Manager
San Francisco: 625 Market St., 94105, John B. Cunningham, Manager
Classified: Sarah Madison, 60 Fifth Avenue, New York, N.Y. 10011, Phone: 212-620-2200

Mgr. Subscription Service: T.M. York
60 Fifth Ave., New York, N.Y. 10011

PAID CIRCULATION OVER 670,000
FOUNDED 1917 BY B.C. FORBES (1880-1954)

Side Lines

Prosperity, but a heavy hand

Executive Editor Norman Pearlstine made nearly 30 reporting trips to South Korea over the past six years for the *Wall Street Journal* and the *Asian Wall Street Journal*. But none provided him with as much access to top Korean government officials and businessmen as did his most recent visit—his first since joining Forbes last year. In his two-week trip he met six cabinet members and top executives from more than a dozen of South Korea's largest companies. Those interviews convinced him the small Indiana-size nation is fast becoming a second Japan. His description begins on page 53.

Pearlstine also came away with impressions about political freedom that may surprise the casual reader.

"South Korea isn't a democracy, but the country is demonstrably more open than it was five years ago. President Park Chung Hee is an austere and aloof leader whose Confucian upbringing, experience as a school teacher and service in the Japanese Imperial Army during World War II make him uncomfortable with democracy. He believes that so long as Korea is weak, the alternative to authoritarianism isn't democracy but anarchy or foreign domination.

"In 1972 Park correctly perceived that America's commitment to the security of its Asian allies was beginning to wane under Nixon and Kissinger, and that prompted him to shore up his own position. After declaring martial law, he pushed through a new constitution which greatly expanded his control while limiting the power of the legislature and the rights of individuals. He also prohibited criticism of the new constitution and forbade student political protests.

"When S.K. Kim, a prominent South Korean politician and businessman, got out of line, he was dragged to the top of Namsan, the mountain which overlooks Seoul, where every hair in his prized moustache was pulled out, one by one. His cohorts got the message and stopped complaining. When Kim Dae Jung, who had unsuccessfully run against Park in 1971 (he got 46% of the vote) began to speak against the president overseas, he was kidnapped in Tokyo and dragged back to Seoul where he was tried and convicted on unconvincing charges. During the same period, South Korean businessman Tongsun Park began making payoffs to American congressmen.

"A lot of South Koreans, including students and parts of the sizable Christian minority, took to the streets to pro Park's new constitution and, by e 1975, there were so many demons tions that some observers thought might not last the year in office. But fall of South Vietnam, which sent a c through all of noncommunist Asia, sa his position as most of the populat fearing an increased threat from N Korea, rallied behind him.

"In the four years since the fal South Vietnam, Park's confidence increased and he has gradually rela controls on the South Korean pe When a scandal erupted last year government officials getting prefe housing, the South Korean papers ered it in detail. Similarly, they repo on Tongsun Park and Koreagate. R tively free elections for the National

Kim Dae Jung in court
Convicted on unconvincing charge

sembly were held last December. I that month, the government rele about 30 well-known political o nents, including Kim Dae Jung, prison. The U.S. State Department estimates there are under 220 poli prisoners—less than in many develo countries that get far fewer human ri lectures from Jimmy Carter.

"Despite these signs of increased litical freedom, the government sti often ham-handed, exercising co where it isn't justified and ign world opinion where it ought to be c ing it. But if the economy continue prosper and Carter doesn't withdra U.S. ground troops from South Korea nation's politics could soon be as vanced as is its economy." ■

Introducing the last word in First Class.

Today, with the development of our long-range 747SP, Pan Am can take you to places nearly halfway around the world non-stop.

But non-stop flying doesn't mean much without non-stop service.

So, for First Class passengers on our 747SPs, we are proud to introduce new ideas you won't find on any other airline.

Like our new Sleeperette® seat. When it reclines, the Sleeperette® stretches out to the length of four-and-a-half of our windows. Perfect for reading, enjoying stereo or getting a good night's rest.

Another First Class exclusive: a choice of banquette table-for-two seating or individual dining at your Sleeperette® seat. And, of course, superb international cuisine.

Whether you fly First Class on our 747SP with the Sleeperette® seat, or on our traditional 747, you'll experience the same high standard of service that our First Class passengers have always enjoyed.

You see, we want to be the world's first choice in First Class service.

See your Travel Agent or transportation department.

PAN AM

We fly the world the way the world wants to fly.

Volunteers wanted for unusual medical experiment

Step forward and you'll be asked to contribute something to America's medical system other than money:

Your say in how it's spent.

A radical idea for a society brought up on the belief that the medical industry alone knows what's best for us.

But for a society now spending almost 9% of its gross

national product on health care and paying more than *twice as much* for hospital care as five years ago, radical is essential.[1]

Congress established Health Systems Agencies in 1974.[2] Made up of consumers and health care providers, with consumers the majority, Health Systems Agencies are now functioning in every community.

But they need your effort to succeed. Are they worth it? Ætna strongly believes so.

While many Health Systems Agencies are still finding their feet, they've already found ways to cut the national medical bill by millions of dollars.[3]

By coordinating local medical systems, expensive duplication and concentrations of equipment and services can be avoided.[4]

The medical industry needs a second opinion. Congress has given you an opportunity to make it yours. For the address of the Health Systems Agency serving your community write to us at Ætna Life & Casualty, 151 Farmington Avenue, Hartford, CT 06156. Don't underestimate your own influence. Use it, as we are trying to use ours.

Ætna wants insurance to be affordable.

1 Between 1959 and 1976, personal health care expenditures increased almost twelvefold from $10.4 billion to $120.4 billion. Ten percent of the federal budget is now spent on personal health care, almost $34 billion in 1976 alone.

2 Health Systems Agencies were created as part of the National Health Planning and Resources Development Act of 1974. Their mandate is to improve the health of the American people: continuity and quality of health services; restrain increases in the cost of providing health services and prevent unnecessary duplication of health services.

3 In a recent survey by the American Health Planning Association, health planning agencies across the country reported that in one two-year period they were instrumental in preventing over $3 billion in capital investment for health care facilities. It's also important to note that there have been no indications that the quality of medical care has been impaired by their efforts.

4 It's estimated that 100,000 short term hospital beds stand idle—an idle bed costing almost 60% as much to maintain as one in use. Blue Cross recently noted that health care providers in southern California are reported to have ordered or installed enough $500,000 CAT scanners to serve the entire western United States.

Ætna Life & Casualty,
151 Farmington Avenue,
Hartford, CT 06156

Ætna
LIFE & CASUALTY

Edited By John A. Conway

Fallout on Wall Street

The nuclear-plant breakdown near Harrisburg, Pa. has prompted investment sage T. Rowe Price to revise his brand-new model portfolios (FORBES, *Apr. 2*). Kerr-McGee was one of the 20 stocks in his natural resources group; Price says he has eliminated the oil and uranium producer and replaced it with Union Pacific. He says he is also considering selling UNC Resources, a producer of uranium and fabricator of nuclear fuel cores, and replacing that with Penn Central. Price, who has shunned railroad stocks for decades, has not changed his mind; Penn Central no longer runs a railroad but is in real estate, pipelines and entertainment and has a huge tax credit. As for Union Pacific, he calls it "a great natural resources company." Price adds he is "downgrading the future of nuclear energy." Interestingly, he has also become less bullish on oil, saying that it, like nuclear power, "is becoming more and more a political football." Specifically, he says, "I have reduced and plan to reduce my holdings of several of the oil stocks that have had very spectacular advances in recent months, including Dome Petroleum, which went from the mid-30s to 118; I have sold 25% of my Dome holdings. I expect to sell some of my Tosco, which cost me from $2 to $5 a share, and has gone as high as $15."

Washington's work

Federal watchdogs have begun a three-year review and cost study to determine how much and what kind of the government's work should be done by its own employees and by private outside contractors. Washington now farms out about $30 billion worth of contracts and spends another $10 billion to run 21,000 commercial and industrial activities on its own. The study will look at comparative costs and attempt to find where a switch from private industry to government (or vice versa) will produce a 10% savings. One yardstick to be used in the review assumes that federal retirement benefits amount to 20.4% of each worker's salary.

The GOP's money men

John Connally has picked up an important recruit in his bid for the 1980 GOP presidential nomination—David Packard, the chairman of California's Hewlett-Packard and deputy defense secretary under Richard Nixon. Packard was President Gerald Ford's chief money man during the 1976 primaries (but not for the actual campaign). Connally, the former Texas governor and Nixon's Treasury Secretary, says Packard will not be his top money man but "he'll be one of them." Another GOP hopeful, Tennessee's Senator Howard Baker, now has as a principal fundraiser Wall Street's Bernard (Bunny) Lasker, former chairman of the New York Stock Exchange and a perennial Republican money gatherer. (One exception: his support of Lyndon Johnson in 1964.)

The man they'll all have to beat for the nomination, Ronald Reagan, so far has not picked a finance chairman but expects to do so within a month. Meanwhile, old pro Lyn Nofziger, a top Reagan aide, is using direct mail to raise funds. The role of the "fat cat" big giver, Nofziger points out, is not what it used to be since the law now restricts individual political gifts to a top of $1,000.

John Connally

Does a bandwagon need money men?

Pressure at the pump

The OPEC sheikhs aren't the only ones out to raise the American motorist's gasoline bill. State legislators across the land are working on ways to increase their take from gas taxes or at least to maintain current revenues should conservation efforts succeed in cutting fuel consumption. One new system would change present state levies from a fixed amount of so many cents per gallon into a percentage. Washington has already put such a variable tax into effect, 21.5% on the wholesale price of fuel, excluding other taxes. Such an "inflation-sensitive" tax, as one official in Washington's Department of Transportation calls it, is also under study in Alaska, Georgia, Massachusetts, Minnesota, Monta New Mexico and South Dakota; a do other states are reported eyeing so variation of it. Percentage taxes mea of course, that every time OPEC tu the price screws, the states' bite wo also increase. About the only constan the gas tax picture is the 4 cent-a-gal federal one, which Congress gives no dication of changing and which po $8.5 billion a year into the federal hi way construction fund. The huge r building program begun under Presid Eisenhower will continue until 1986, ing in the remaining gaps and repai the stretches already built. The st will probably need funds to share a m part of rebuilding although, for the f time, they are eligible to get repair m ey from the federal Treasury.

From Dallas with love

A decision by a Dallas electronics firm build an $80 million microchip plan Ireland instead of Scotland could s more trouble for Britain's Prime Mi ter James Callaghan—and his own L don bureaucracy will get the blame. M tek, the Texas manufacturer, was or nally set for Scotland but Dubl Industrial Development Authority ca up with a better deal. The clincher ca when the Scots made a financial o that could have matched Ireland's, which collapsed when London's Dep ment of Industry refused the usu automatic 22% development gra (Diplomatically, L.J. Sevin, Most chairman, says only that the Irish di better sales job.) The plant, outside D lin, is slated to begin testing microp cessors shipped from Texas by the en the year and could grow into an op ation employing 1,100 within two ye Callaghan's problem is how Scottish v ers will react in the May general electi With the polls running against him, needs every vote he can get. His gove ment fell when it lost a vote of no-co dence amid debate over its handlin the "devolution" issue of granting lim ed Scottish independence.

Kind words for the Mafi

The Mafia is not the threat many l men say it is, a Hoover Institution sch ar at Stanford University concludes i new book, *The Business of Organi Crime: A Cosa Nostra Family*. The amou spent to fight organized crime may in fact be justified, writes Anne Graebner Anderson, a former U.S. J tice Department official with the L Enforcement Assistance Administrat (which funded her initial research). T

HOW TO SLOW THE RATE OF INFLATION

A VOLUNTARY PROGRAM WILL WORK, IF EVERYONE VOLUNTEERS.

General Motors has promised President Carter to keep within the wage/price standards he has set for large corporations. And we will keep that promise. Because it is the wish of the President, and because we believe he has embarked upon a comprehensive program that can succeed, given time and consistent dedication.

Everyone must help. President Carter has promised to reduce government spending, to reduce federal deficits, and to reduce government regulation. He is lessening the inflationary pressures of government on the economy. The budget he has submitted for fiscal 1980 is prudent. It will make a difference.

Obviously, the rate of inflation during recent months is still distressingly high. The need for everyone to follow the President's standards is more urgent than ever.

We have written to our suppliers, informing them of GM's commitment and asking them all to make the same commitment. We have also urged the chief executive officers of the top 500 U.S. corporations to send similar letters to their suppliers. In advertising, we are advising our customers to shop carefully, to get the most value for their dollar.

Inflation hurts everyone: rich and poor, big business and small, wage earners and, most dramatically, retirees and other people living on fixed incomes. The real value of everyone's income declines at exactly the same rate, whether it's the paychecks of our employees or the dividends we pay to stockholders or the checks received by people on pensions or social security. No one is spared.

The President has asked that wasteful regulation be eliminated and that the discipline of cost/benefit analysis be applied to all government regulation. Now, business must follow his lead, and not only major corporations, but all business.

Labor leaders, confident that business will follow the standards, can then ask understanding and flexibility in demands from union members. Consumers, too, can make a difference, buying carefully, shopping for the best values, using their market power to keep down the prices of everything, from commodities to cars.

The Joint Economic Committee of Congress has endorsed the voluntary program and called for incentives to increase investment and productivity. The consensus of this bipartisan group was that mandatory price and wage controls must be avoided. Experience proves such controls discourage investment, create shortages, and slow economic growth. Moreover, when such controls are removed, inflation returns at a more rapid pace than ever.

The inflation problem can be solved, but it will require perseverance, restraint, consistency, and the understanding of all concerned that small sacrifices now will spare us from severe sacrifices in the future. President Carter has set the course. We have only to follow his lead.

This advertisement is part of our continuing effort to give customers useful information about their cars and trucks and the company that builds them.

General Motors

People building transportation to serve people

One of these homeowners is thrifty, safety conscious, and a sitting duck for financial disaster.

He doesn't even know it. He thinks he's done his best to protect his home and his possessions. He hasn't.

Many people, like the man on the left, believe they have adequate homeowners insurance. But inflation has been pushing up the value of their homes. They don't update their coverage every year. So when disaster strikes, they are unable to fully recover their losses.

Rising replacement costs are one reason. In the last 10 years the cost of re-siding a home jumped 132%, re-shingling a roof 155%; and repainting a living room 142%.[1] In the last five years alone, the cost of building a new home has increased 63%.[2]

As a group of property and casualty insurance companies, we don't want you to be a sitting duck by not having your insurance provide full protection for your home. Check with your agent to be sure your homeowners policy reflects the amount of additional coverage inflation has made necessary.

Here's what we're doing to help protect you:

- Offering policies with a built-in inflation clause.
- Supporting strict building codes to reduce fire risk.
- Designing new coverages to meet the special insurance needs of older homes.
- Helping to develop safety standards which protect life and property.
- Operating special claims assistance and damage repair programs in times of catastrophe.
- Conducting fire prevention and arson control programs.

Here's what you can do to protect yourself:

- Re-evaluate your home insurance needs annually with your agent.
- Take a higher deductible if you can. It lowers your premiums.
- Install a smoke detector or burglar alarm. Many companies offer premium discounts for such devices.
- Get a receipt or appraisal for all major household items (furniture, antiques, jewelry, art). Duplicate it and keep it and all such records in a safety deposit box away from your home.
- Inventory all your possessions and take photos of each room to document what you have.

1 Source U S Dept of Labor 2 Cost does not include land Source U S Dept of Commerce

This message is presented by: The American Insurance Association, 85 John Street, New York, NY 10038.

Affordable insurance is our business...and yours.

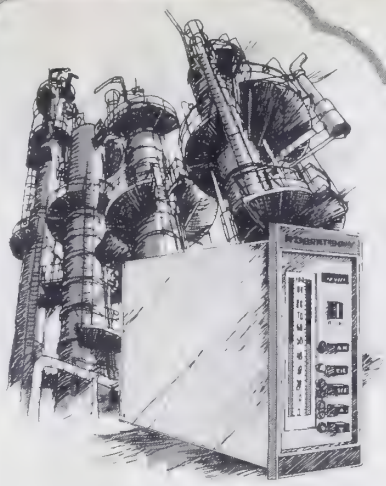
© 1979 American Insurance Association

Trends

ia family she studied, she found, was ither of major significance in the nomy of the city where it operates a serious threat to its legitimate busi- competitors or the customers of its l and illegal enterprises." Nor are e-honored Mafia practices so bad as y are painted. Loansharking does in- ve the "threat of violence," the author its, "but the actual use of violence is equent." The numbers racket? "The nbers industry involves neither vio- e nor fraud." The Cosa Nostra group examined, author Anderson says, indeed in business, but "the family's timate business activities are not erally predatory. . . . They enter le- mate business to establish a front or e to do business. Even more impor- is the need for a tax cover—a legiti- e business through which illegal in- e can be reported and taxes on the me paid." Like many a business e soft through long prosperity, even Mafia seems to be losing position in t is certainly a growth industry *(see* BES, *Apr. 16).*

Less is, well, less

effects of Proposition 13, the less-is- utiful tax-cutting theme that Howard is and Paul Gann sold to California rs last year, are rumbling like the San reas fault and taxpayers are learning less really means less. Prior to Jarvis- n, California property taxes were higher than the national average. y have fallen to 32% of the norm, lost revenue runs to about $7 billion. pinch is taking various forms. City in affluent San Marino, near Pasade- is only open mornings. Los Angeles nty has closed three of its 93 librar- put 80 others on a four-day week and ually stopped buying books. Parks had a 33% staff cut and free recrea- programs may start charging fees. mer schools have all but disappeared erly Hills may farm out its program to vate company). Home builders, who d for a boom, are screaming at new l charges for development. Rents are bing and rent-control propositions ife. (Los Angeles and Berkeley have dy voted curbs.) The fundamental ge is that Proposition 13 took away h local autonomy along with revenue Sacramento has become the one ce of relief. One consolation comes Bill Press, head of the state's Office lanning and Research, who thinks s-Gann will prove the strongest envi- nental measure ever voted. With s unable to provide services, he s, new subdivisions—and urban wl—will have to stop. ■



Robertshaw's unique controller cracks high cost barrier in process control.

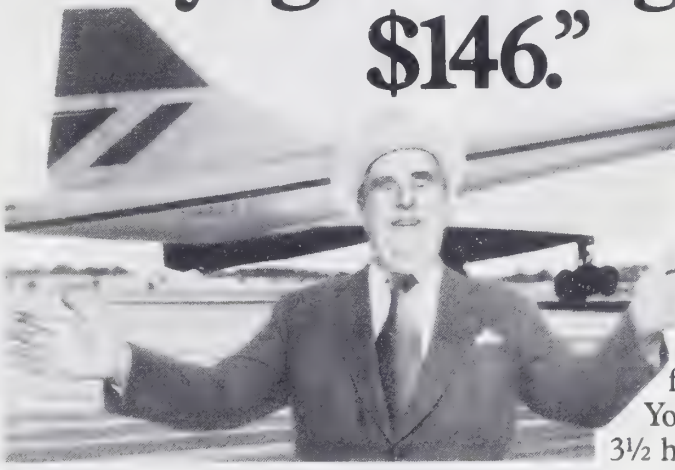
Compatible with any computer, Robertshaw's new DCM-1000 can also stand alone to provide automatic digital control over a single "loop" in a variety of continuous processes, such as cracking petroleum. Using a powerful microprocessor, it offers more functions at a lower cost than any controller available today. This low cost module is a basic building block in a flexible system that can be easily expanded in cost-effective steps to control an entire process plant.

Controlling the cost of controls is a prime corporate objective at Robertshaw, manufacturing and marketing 10,000 controls and control systems worldwide. For details on lowering your process control costs, write to Robertshaw Controls Company, Dept. IIF, P.O. Box 26544, Richmond, VA 23261. Or call 804/ 282-9561. Exports: call Robertshaw International Operations, 804/ 285-4161.

Robertshaw®

The Energy Control Company®

"Daylight saving time: $146."



For only $146 more than First Class, our Concorde will fly you from New York to London in 3½ hours. This not only saves you half the flying time, it really saves the day. You arrive feeling so rested and relaxed, you don't need a night—or a day—of catch-up time to get back into top form. Concorde has 12 flights a week from New York to London, 3 from Washington. It also flies from Dallas/Ft. Worth to London via Washington, and from London to Singapore via Bahrain. Call your Travel Agent, Transportation Department, or British Airways—tell them Robert Morley says you won't find a better way to buy time.

British airways

We'll take more care of you to Britain, Europe, the World.

WHERE WI
AND WHY.

Winners have always rented from Hertz.

Forty-three years ago, Franklin Delano Roosevelt used a fleet of Hertz cars to carry his election campaign across the country. And won.

If you had aspirations to the highest office in the land, wouldn't you go with #1?

Winners just naturally go with winners. That's why so many people at the heads of their fields today rent from Hertz. The Presidents of over 80% of the top 500 companies in America carry Hertz cards. As do many of the most important people in show business, sports, fashion and the arts.

Those who don't, probably don't, simply because they ride in limousines.

Nobody does it better than Hertz.

Hertz came up with the idea of renting cars in 1918. And we've been winning at it ever since.

If there's a service that can get you into or out of a car faster, or an idea to make renting a car easier, or an innovation that can make renting a car a more pleasurable experience, you can bet that Hertz not only has it, but probably introduced it.

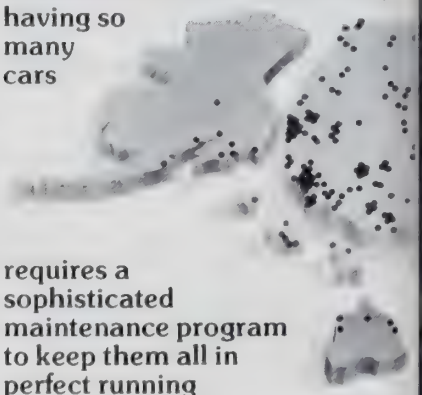
Add the fact that we have more cars, more locations and more people to serve you than anybody else, and the thought of renting from anybody else becomes unthinkable.

The largest fleet of cars in the world.

You only rent one car at a time. So is this really important? It's important.

Hertz has over 240,000 cars and trucks around the world. So if you want a certain kind of car in a particular place at the appropriate time, you do what winners do. Take the odds.

Hertz features Ford products o every size and description. From subcompacts to Thunderbirds to Continentals. Even Broncos and vans. But our fleet is so huge, we have it filled in with cars of other makes too. "Filled in" is somewh of an understatement. Our closes competitor features another mak of car. Yet we have even more of t make than he does. Of course, having so many cars



requires a sophisticated maintenance program to keep them all in perfect running condition. This is another reason winners rent from Hertz. We don' put them into losers.

Wherever you are, we are.

Winners get around. Which is of the main reasons they come to

HERTZ RENTS FORDS AND OTHER FINE CARS

NERS RENT.™

rtz in the first place.
Vith over 4,000 locations around
world, it's hard to find a place
ere you won't find Hertz. This
ans you can go practically
/where and pick up and drop off
ir car where it's convenient for
ı. Which is eminently more
ısible than picking up and
ıpping off cars where it's only
ıvenient for car rental
mpanies.

More people to serve you.

Hertz employs far more people
ın anyone else in the rent-a-car
siness. Not just because we're
ger. But because we offer many
rsonal services to our customers
the others
don't. For
example, at
our busier
locations, you'll
find Customer
Service
Representatives
who can rent you
a car before you
get to our
counter. Or
swer any questions you might
ve. Or provide directions you
d.

Since even Presidents of multi-
lion dollar corporations are
man, and therefore capable of
ning out of gas,
ting a flat, or
splacing their car
s, Hertz provides
hour-a-day
ıergency Road
rvice. Services
this require a
of people. And
rtz has them.
t we're not out
mpress you with
mbers. The pride
Hertz isn't the
e of the work force, it's the caliber
t.

One recurring theme in the mail
get from our customers is how
e and helpful Hertz people are.
ow do you train them to be that
y?," we're often asked. Well we've
ınd that you can't *train* anyone to
nice or helpful. So we just hire
nicest people we can find and do
everything possible to insure that
they stay that way.

Today, Hertz wouldn't be the
place where winners
rent, if it wasn't

also the place where winners worked.

**Winners belong
to an exclusive club.**

Carrying a Hertz #1 Club® Card offers you the world's fastest way to rent a car. It also tells other people that you travel in pretty fast company. The people who belong to it are in a hurry and have more important things to do than dawdle around airports and car rental offices.

If you rent a car more than two or three times a year, it could be the most worthwhile club you've ever joined.

Membership costs nothing. The advantage to you is that we keep all the information we need about you on file. So your rental agreement is filled out, ready and waiting, when you arrive at the counter. There's no waiting for a computer to slowly poke out all the details. You just show your credit card, your license, sign and go.

Hertz Express Car Return.

This is another time-saving service invented by Hertz. If you're a charge customer, you just drop your rental agreement in the Express Return box. We compute your statement and get it in the mail to you the same day. Used in conjunction with a #1 Club Card, Hertz Express Car Return can get you in, out, around and through airports as fast as O.J. Simpson. Or within a few seconds as fast anyway.

It costs no more to go #1 Class.

When you're the biggest and the best at what you do, people often get the idea that you should cost more. We should. But we don't.

If you check around, you'll find that we generally cost no more (actually, sometimes we're a little less) than our two closest competitors.

Of course, comparing ourselves to our "closest competitors" is all well and good for traveling

executives whose companies are picking up the tab anyway.

But what can we offer someone who just wants to take the family on vacation and save some money? A lot. In fact, our weekly "Touring" rates and weekend "Take-Off Rates"™ are competitive with all but the most cut-rate operations.

Not bad when you consider that you also get to take advantage of all the resources and services Hertz offers the President of the company you work for. Right down to being chauffeured to your car in a luxurious bus instead of a dinky little van.

After all, you only get one vacation a year. Why travel like a loser?

Hertz®

© HERTZ SYSTEM INC 1979
® REG. U.S. PAT OFF

WHERE WINNERS RENT.™

A Gem of a Mouse

Behind those twinkling dark eyes is a body of dazzling, diamond-like full lead crystal. More than a hundred precision-cut facets scatter a beam of light into fiery droplets of rainbow color, to add the sparkle of elegance to your home. An exclusive import, this is perhaps the most brilliant crystal in the world. A meticulously hand-finished gem, but surprisingly affordable. Money-back guarantee.

With mirror-topped walnut stand, only - $37.50

Please add any applicable state taxes.

Phone to use Am Exp, CB, Diners, MC, Visa.
Call Toll-Free: (800) 821-5462
In Missouri, call: (800) 892-5796
Or send check to

The halls Collection
Dept. 43 Box 5548, Kansas City, MO 64109

CHANGE OF ADDRESS

If you are moving, let us know six weeks before so we can keep Forbes coming. Enter your new address on this form and return it with a recent mailing label from the magazine.

NEW SUBSCRIPTION

To order Forbes, enter your address on this form and check the subscription you prefer. ☐ 1 year $24.00 ☐ 3 years $48.00 (the equivalent of one year free).

Canadian orders, add $4 a year.

Pan-American and Caribbean orders, add $5 a year; other foreign, add $12 a year.

Subscription Service Manager,
FORBES, 60 Fifth Avenue,
New York, N.Y. 10011

ATTACH PRESENT MAILING LABEL HERE

Name (please print)

New Address:

City

State Zip

F-4826

Follow-Through

Chicago's condo craze

"Condomania," a headlong rush to convert rental apartments into condominiums, was sweeping Chicago last year when FORBES *(Nov. 13, 1978)* called it "the fastest get-rich proposition to hit the Windy City since bootlegging." Gold Coast flats along Lake Michigan, worth $50 to $60 a square foot in 1977, were up to $100 to $120, and developers were talking of $200 a square foot. An apartment that rented for $360 a month in 1976 commanded $85,000 as a condo, with a 20% down payment and $808 a month in mortgage and maintenance charges. In late 1978 the Chicago area had 68,000 condo units, 43,000 of them in the city; in 1976, it had 10,000.

This real estate fever raged unabated into this year and even the Great Blizzard of 1979, which paralyzed Chicago under 76 inches of snow, failed to cool it. In February, with signs increasing that the City Council might finally act to impose a long-stalled moratorium on condominium conversions, it reached another peak with owners of an estimated 8,000 units "going condo." The city's last rental bastion, the 16-acre, 2,632-unit Sandburg Village on the near North Side, was among them. Early in February, realtor Arthur Rubloff and his associates sold Sandburg for $110 million. The 40 investors in the syndicate that bought it with backing from Continental Illinois Bank and Chicago's First Federal Savings & Loan included the far-ranging Pritzker family (Hyatt hotels, Maremont auto supplies, Hammond organs, etc.).

The Sandburg sale, however, may have spelled the end of condomania. It finally roused the city's newspapers and other media to erupt in editorial thunder protest the wiping out of Chicago's re al properties.

The City Council also found its vo at last and passed a 40-day moratori on any conversion that involved 30 un or more. That proved short-lived whe federal judge early this month tempor ily blocked the city from enforcing moratorium, terming it a "dramatic a draconian solution." But the City Co cil may have the last word and, m significantly, its action had the supp of Chicago's new mayor Jane Byrne, w termed the moratorium a "cooling period to stop the stampede." Jane By learned her politics as a protégée of late Mayor Richard Daley, and one Boss Daley's basic rules was that w the mayor wanted, Chicago got.

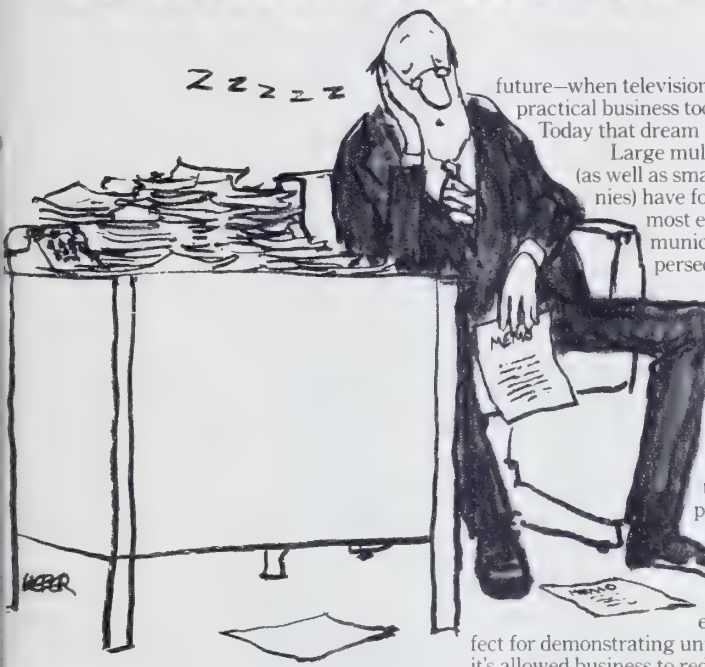
Luck of the Irish

"What luck for Chairman William Flynn of Zapata!" FORBES commente a report *(Feb. 19)* on how the oil-drill firm's $325,000-a-year chief execut had, with a last-minute maneuver, s mied an irate holder of 300,000 sha who was out to unseat him. The c became possible when Thomas Mel Evans, chairman of Crane Co. and a m ter of takeover strategy, called Flynn offered to sell him his 600,000 Za shares at $2 above the market price. accepting, Flynn had forestalled a po bly invincible takeover combination.

Flynn's peril was real enough. Ur him, Zapata's earnings had slipped f $30.3 million on $351 million reven in 1975 to $5.6 million on $521 mill in 1978. With that record, FORBES c mented, "the chief executive of m

Zapata's ex-Chairman William H. Flynn
Luck is a sometime thing.

IT IS NOW IMPERATIVE THAT AMERICAN BUSINESS FIND A MORE STIMULATING WAY TO COMMUNICATE WITH ITSELF.



Every day, American business spews forth a virtually endless stream of inter-office memos, conference reports, training manuals, brochures, telexes, phone calls, slide shows, letters, telegrams, direct mail pieces, annual reports, press releases and newsletters.

The average employee is deluged with communication.

And there is no way of telling how much of it is either ignored, forgotten, misplaced or summarily disposed of.

In short, American business is in the throes of a vast and complex communication crisis.

A problem that today—in an age of shortened attention spans and heightened communications costs—cries out for an efficient and imaginative solution.

Fortunately, we at Sony have spent the better part of two decades preparing and perfecting just such a solution.

It's an approach that transcends the paper avalanche, and actually manages to communicate in a riveting, arresting, persuasive manner.

We call it the Sony Video Communications System. And we believe it will have as significant an impact on American business—both large and small—in the 80's as the computer had in the 70's.

VIDEO COMMUNICATIONS: NO LONGER THE REALM OF SCIENCE FICTION.

For almost as long as television has existed, scientists, dreamers, and corporate soothsayers have speculated about the day—far in the future—when television would be used as a practical business tool.

Today that dream is indeed a reality.

Large multi-national corporations (as well as smaller domestic companies) have found TV to be the most efficient means of communicating with widely dispersed employees.

Insurance companies, fast food chains and major manufacturers—recognizing that people can learn from television in 1/6th their normal time—have saved untold amounts by putting employee training programs on tape.

Traveling salesmen, retail stores, and hundreds of other businesses have discovered video tape is perfect for demonstrating unwieldy products; it's allowed business to reduce sample inventories and cut travel costs.

Even doctors and lawyers have found ways to utilize the medium to their advantage.

Often for less money—and always with significantly more impact—than any other audio/visual medium.

At Sony, we offer not merely the equipment, but also the practical experience to tailor a video communications system to fit both your needs and your budget, forever keeping the great arbiter of all business innovations in mind: your profits.

AN INTEGRATED SYSTEM VERSUS THE PIECEMEAL APPROACH.

While there are any number of companies that build cameras or tape players, even the most advanced video equipment can become a morass of electronic junk unless it's put together in a coherent, sensible manner.

At Sony, before we talk about a single megahertz, we analyze your communications needs.

We meet with your people.

Look at your goals.

Study your logistics and budget.

And then—and only then—drawing upon our experience with literally hundreds of other companies, do we feel qualified to recommend a comprehensive video communications system.

Admittedly, our capabilities allow us to offer you anything from the simplest black and white video recorder to something approaching the CBS Television Network in size.

But being the only communications company in the world to produce the full range of video equipment, including video cassette players and recorders, cameras, monitors, editing units—even the video tape itself—offers several distinct advantages to the video neophyte.

There is only one company to deal with.

Only one service organization to call.

There is no need to worry that one piece of equipment is incompatible with another.

Or totally obsolete.

HARNESS THE GENIUS OF THE WORLD'S PREMIER VIDEO MANUFACTURER FOR YOURSELF.

Over the years, the name Sony has become synonymous with electronic innovation and quality.

In 1955, Sony marketed the world's first transistor radio.

In the 60's we introduced the miniature television set.

Sony Trinitron color television sets have often been heralded as the world's best.

The Sony Betamax is so innovative that several of our competitors are using our patents.

And today, our video communications systems are being used by over 800 different sized corporations, a handful of whom are listed below.

Transportation	*Rockwell Int'l*	*General Mills*
Chrysler	*U.S. Steel*	*Popeye's Famous Fried Chicken*
Clark Equipment	*Westinghouse*	*Procter and Gamble*
Datsun		*Sambo's*
Fiat	*Retailing*	*Winn-Dixie*
Ford	*Bloomingdale's*	
Freuhauf	*Garfinkel's*	*Travel*
Goodyear Tire	*J.C. Penney*	*American Airlines*
	Lord & Taylor	*Eastern Airlines*
Energy	*Macy's*	*Hughes Airwest*
Atlantic Richfield	*Marshall Field & Co*	*Southern Railways*
Exxon	*Sears*	*United Airlines*
Getty		
Gulf Oil	*Banking*	*Utilities*
Mobil	*Chase Manhattan Bank*	*AT&T*
	Chemical Bank	*Con Edison*
Finance	*Citibank*	*General Telephone & Electric*
Arthur Anderson		*Western Union*
Arthur Young	*Computers*	
Dean Witter Reynolds	*Burroughs*	*Insurance*
Merrill Lynch	*Honeywell*	*Aetna*
	IBM	*Allstate*
Manufacturing	*NCR*	*Equitable*
Allis Chalmers	*SCM*	*Fireman's Fund*
American Can	*Sperry UNIVAC*	*GEICO*
Bendix	*Xerox*	*John Hancock*
Caterpillar		*Prudential*
General Electric	*Food*	*State Farm*
Hewlett Packard	*Big Boy*	*Travelers*
Maytag	*Coca-Cola*	
Owens Corning		

If you'd like to add your name to this distinguished list of clients, please call 1-800-821-2280, ext. 313 (Missouri 1-800-892-5890, ext. 313). Or write to the Sony Information Center, CN02450 Trenton, New Jersey 08650.

The uses of video are not limited by the size of your company.

Only the scope of your imagination.

SONY. VIDEO COMMUNICATIONS

Sony, Trinitron and Betamax are registered trademarks of the Sony Corp

ENERGY CONTROL.

How Honeywell helps Rockwell save–enough to run 17 buildings three hours a day. Free.

Controlling energy usage at Rockwell International's Anaheim complex is a big job. Facilities of its Electronic Operations occupy 17 separate buildings—a total of 2.4 million square feet.

Yet here, a single energy management system, Honeywell's Delta 1000, now provides centralized control of heating, cooling and ventilating for the entire complex. Last year, in fact, Delta cut Rockwell's energy costs some $245,000—enough to heat or cool all 17 buildings for more than three hours a day. Free.

In less than two years the system will save its entire cost. After that, all savings go straight to Rockwell's bottom line.

Expect energy savings–with comfort.

Whether you have one building to manage or a group of them like Rockwell, a Delta system will control your building's energy-using systems the same way. Using software tailored to your needs, it verifies temperatures, meets changing occupancy schedules and operates heating, air conditioning, and lighting equipment for maximum energy savings. Without sacrificing the comfort of building occupants.

In hundreds of buildings large and small, Delta energy savings of 20 to 30% are common. But that's only part of the story.

More savings, plus better control.

Honeywell centralized building management brings substantial manpower savings, freeing your technical staff to maintain and improve your physical plant. More efficient operation extends the life of expensive mechanical systems. And better management information—via instant CRT displays and permanent hard copy records—keeps control of all decision making where it belongs: in your own two hands.

What Honeywell offers you that no one else can.

Delta 1000 is the product of Honeywell data processing technology and Honeywell's long established leadership in temperature control. No one else designs, builds, installs and maintains all major system components—from thermostats and dampers to computers. One totally responsible supplier backs up the reliability of your system, end to end, year after year.

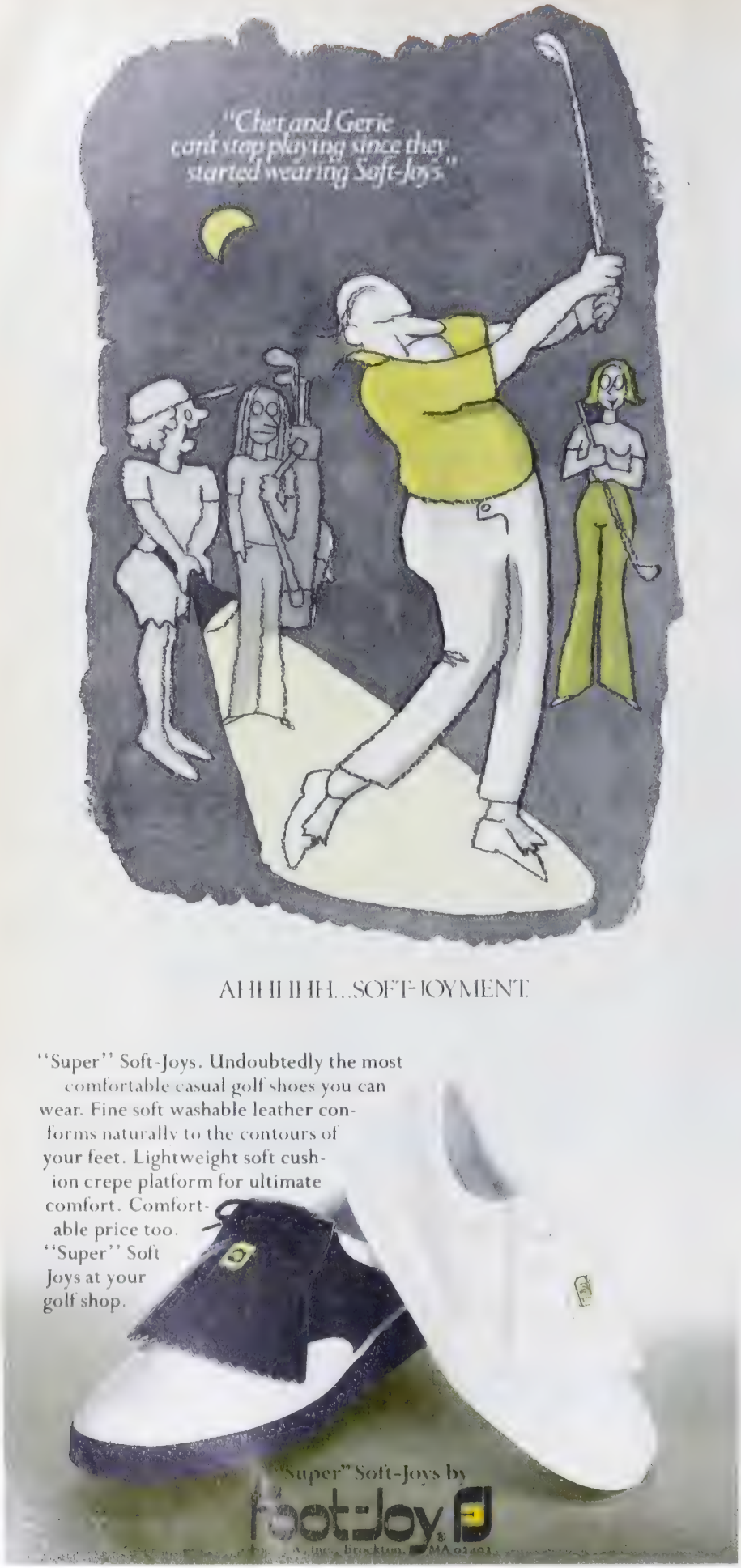
We offer you the strength and stability of a large national manufacturer. Plus prompt and personal attention to local projects through more than 100 branch offices. Each is staffed with Honeywell hardware and software experts to work with you all the way. From planning and application to startup, customer training and operational support.

Conservation won't wait.

We're helping Rockwell save energy and achieve better building management control. Let us show you how we can help you. Write now to Honeywell Commercial Construction Division, Dept.04K14, Honeywell Plaza, Minneapolis, MN 55408.

From the most complex computer systems to the simplest controls, providing better ways to help you control your business has always been our business at Honeywell.

Honeywell


"Chet and Gerie
can't stop playing since they
started wearing Soft-Joys."
AHHHHH...SOFT-JOYMENT
"Super" Soft-Joys. Undoubtedly the most comfortable casual golf shoes you can wear. Fine soft washable leather conforms naturally to the contours of your feet. Lightweight soft cushion crepe platform for ultimate comfort. Comfortable price too. "Super" Soft Joys at your golf shop.
"Super" Soft-Joys by
foot-Joy
Brockton, MA 02401

Follow-Through

another company would be contemp ing a golf course somewhere while board sent out for a successor."

How long did Flynn's luck hold? ink was barely dry on that February is of Forbes when he was given a leav absence and three directors –outs counsel R.J. Mackin, Ronald C. Lassi president and chief operating officer, A.G. Gueymard, a Houston finan consultant and retired banker– t command. The dissident holder 300,000 shares, Houston million John F. Maher (onetime president Reed Roller Bit Co.), tried to block Za ta's annual meeting but was brushed in federal court and again at the sh holder powwow. Mackin, in t emerged as chairman and chief execu officer and, almost as an aside, Za announced that Flynn was not on le but had in fact been "terminated."

Zapata's –and Flynn's– troubles ar over. Maher is still on the warpath has broadened his original lawsuit to for $100 million in actual and puni damages because of alleged misman ment. Flynn, still a director and owne more than 200,000 shares, has been to contemplate those golf courses. luck, it turned out, didn't last.

Olé, Bacardi

Bacardi rum was the hottest item u glass a year ago when Forbes *(Feb 1978)* reported how it had added 1 lion cases to its U.S. sales in 1977 moved to a heady third place amon quor brands, topped only by Seagra Seven Crown and Heublein's Smi vodka. With 69% of the rum ma Bacardi was riding a crest. It still is. year the Puerto Rico-distilled brand Seven Crown for the lead, with sal 6.2 million cases; Smirnoff vodka w jigger away, with 6.15 million. Ba had scored a gain of 24%, keeping with the 25% jump recorded a year

These rankings, of course, could in other tabulations based on actual lons sold. (A case can hold anything 1-ounce bottles to half-gallons.) would not change radically, how Number four in the case-sales roster Seagram's V.O., with about 3.9 mi cases, far below the top three. trends, moreover, make Bacardi's fu look glowing. Liquor consultant Corrado of Pompano Beach, Fla. mates that blends (where Seven Cr fits) fell another 5% last year, from million gallons to 49 million. V climbed 5%, from 91.2 million to million gallons. Rum, by Corrado's oning, went from 22.4 million to million gallons, a gain of 20%. ■

Performance.
Pension managers want to maximize it.
But risk must be considered too.
Portfolio Optimization lets you maximize return relative to risk.
Pinpoint solutions. Lower costs. Optimize results.
Others may offer this some day.
Wells Fargo has it now.

Pioneering. Wells Fargo Bank.

Final exams.

Measure stress and strain on a new front-end loader. Tilt a lift truck until you know its safety limits. Submerge a heavy-duty transmission in water to check for leakage.

Tests like these, and many more, are part of the Clark Quality Assurance System. That's how we help Clark products get ready to take on the world. So when they go to work in warehouses and loading docks, logging camps and construction sites, they stand up under rough conditions.

We build machines for the hardest work. Then back them with a worldwide network of dealers who know how to keep them fit.

Getting the job done. That's the final exam.

Clark Equipment Company, Buchanan, MI 49107.

Clark gets it done.

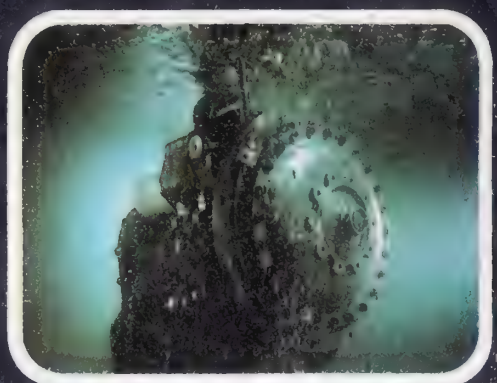
esting a new Clark tractor shovel for
tress and strain.

ubzero temperatures and wet loads put
is Clark Bobcat loader to the test.

Even weight distribution helps Clark lift trucks climb this 30% grade.

A "tilting table" tests the stability and sure-footedness of Clark lift trucks.

A dynamometer tests the cooling system of a Clark hydraulic crane.



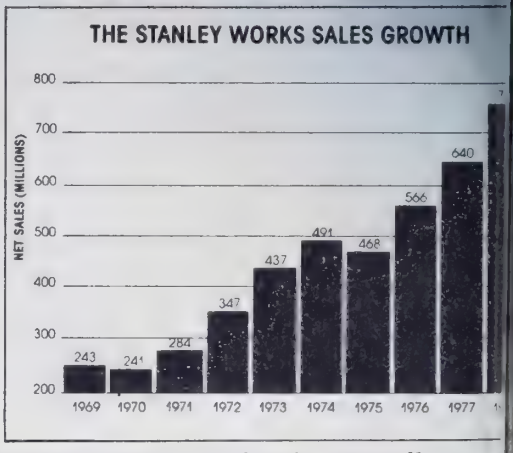
A Clark powershift transmission is submerged in water to check for leakage.

CLARK

THE DO-IT-YOURSELF INDUSTRY'S SALES PICTURE SHINES 3 TIMES BRIGHTER THAN TELEVISION.

Sales of television sets in 1978 reached an all-time high of $6.7 billion*, and 97% of all U.S. households now have at least one TV. But the tube isn't the biggest leisure activity Americans are putting their money into. At $21.1 billion**, the do-it-yourself industry tops it more than three times over, and has doubled in size in the last five years.

Stanley's early belief in the do-it-yourself generation has really paid off. Tight money has led to more people improving their homes rather than selling them. And the rising cost of professional help has led to more people doing their own maintenance and repairs. So, today nearly 3/4 of all Americans consider themselves do-it-yourselfers. Almost half have home workshops.*** Stanley has supplied them with tools, hardware, and drapery hardware; with new products like the "U-install" Garage Door Opener; and a growing library of "How To" plans. And, because do-it-yourself products are basic, lasting, and affordable, they tend to be both inflation-proof and recession proof.



So when we say "Stanley helps you do things right"™ we're talking about investing in Stanley as well as do-it-yourselfing. Our record supports our claim: 103 consecutive years of dividend payments, dividends that ha increased steadily for the last eleven years, and a 45% increase in the quarterly dividend rate in the last 21 mont For complete financial information write to: Thomas K. Clarke, Vice President, Finance, at the address below.

STANLEY®

LEADING THE DO-IT-YOURSELF INDUSTRY.

THE STANLEY WORKS, (SWK) NEW BRITAIN, CONNECTICUT 06050

TOOLS, HOUSEHOLD PRODUCTS, BUILDERS PRODUCTS, INDUSTRIAL PRODUCTS

*TV Digest/Consumer Electronics, 1978 est. **Est. for 1978 by Building Supply News: Bureau of Building Marketing Research, Inc. ***Hardware Age, Feb. 1976, "Faces in The Crowd" Study. ©1979, The Stanley

Readers Say

Not ding-dongs

: We wish to take issue with your erence to Avon representatives being led "ding-dongs" *(Apr. 16)* in past rs. In my 31 years with Avon I have ver heard anyone refer to our represen-ives as "ding-dongs." This is a repeat an untruth that first appeared in BES in 1973 as a quote from an un-med former employee. Such a refer-ce would be considered by us to be hly derogatory and grounds for dis-ssal. Perhaps that's how the individual ntacted by FORBES in 1973 had become former" employee.

David W. Mitchell
irman and CEO,
n Products, Inc.
York, N.Y.

Controversial building

: Re your editorial on the projected &T building *(Mar. 5)*. Sorry you didn't e our building. It has been controver-even inside the company, although nments are largely on the plus side. ess that's what makes a horse race!

ohn D. deButts
-retired CEO,
erican Telephone & Telegraph Co.
York, NY

From coal to crude

In "Pay now? Or pay later?" *(Feb. 19)* his sentence: "The oil industry's pro-s of making synthetic crude from coal till in the research state." How much search" must there be before a start is de? An effective start was made by rmany toward the end of World War They used the Fischer-Tropsch pro-s. They not only produced a very high ane fuel from a poor grade of coal, but produced the basis for a synthetic ricating oil.

harles J. Michal Jr.
ington, Va.

Energy solutions

A federal gas tax, large enough to be effective deterrent to consumption, ld be enacted if its proceeds were cated to the Social Security system in of further increases, or even includ-possible reductions in FICA taxes. h a tax would not only reduce gas sumption but also help fight infla-, since the employer-contributed ion of FICA taxes is treated as any other expense in calculating the price of manufactured goods.

—Ed DiGiulio
Los Angeles, Calif.

SIR: Why not stagger the speed limit, *i.e.*, let people who drive four-cylinder cars go 70, six-cylinder cars go 65, and eight-cylinder cars, 55. It just is not fair to make people who sacrifice size go 55 when they covered the distance in one-half the fuel.

—Stephen G. Harber
Ft. Lauderdale, Fla.

Not all profit

SIR: The "hefty surcharge over basic wages" is not largely translated into profits [by the temporary help industry] as you imply *(Feb. 5)*. Out of each gross dollar, 68.5 cents is paid to temporary employees in wages and 9.4 cents goes to government agencies for taxes and insurance. This leaves about 13.2 cents for recruiting and promotional costs and 8.9 cents for all office operating costs, taxes and profit.

—W. Robert Stover
President,
Western Temporary Services, Inc
San Francisco, Calif.

People eatery?

SIR: The enclosed ad is a candidate for your ad-comparison editorials. It does sort of leave a "bad taste" in one's mouth. It's inconceivable that the price of beef has gone *that* high.

—John E. Magee
New York, N.Y.

Support for the CIA

SIR: Your words echo my sentiments and those of so many others who served in the CIA's predecessor organization, the OSS *(Fact and Comment, "Our Failure in Iran," Mar. 19)*

What is so difficult for people to fully comprehend is that the CIA can in no way publicly refute its critics without

FINANCING
FINANCING
FINANCING
FINANCING
FINANCING
FINANCING
FINANCING
FINANCING
FINANCING

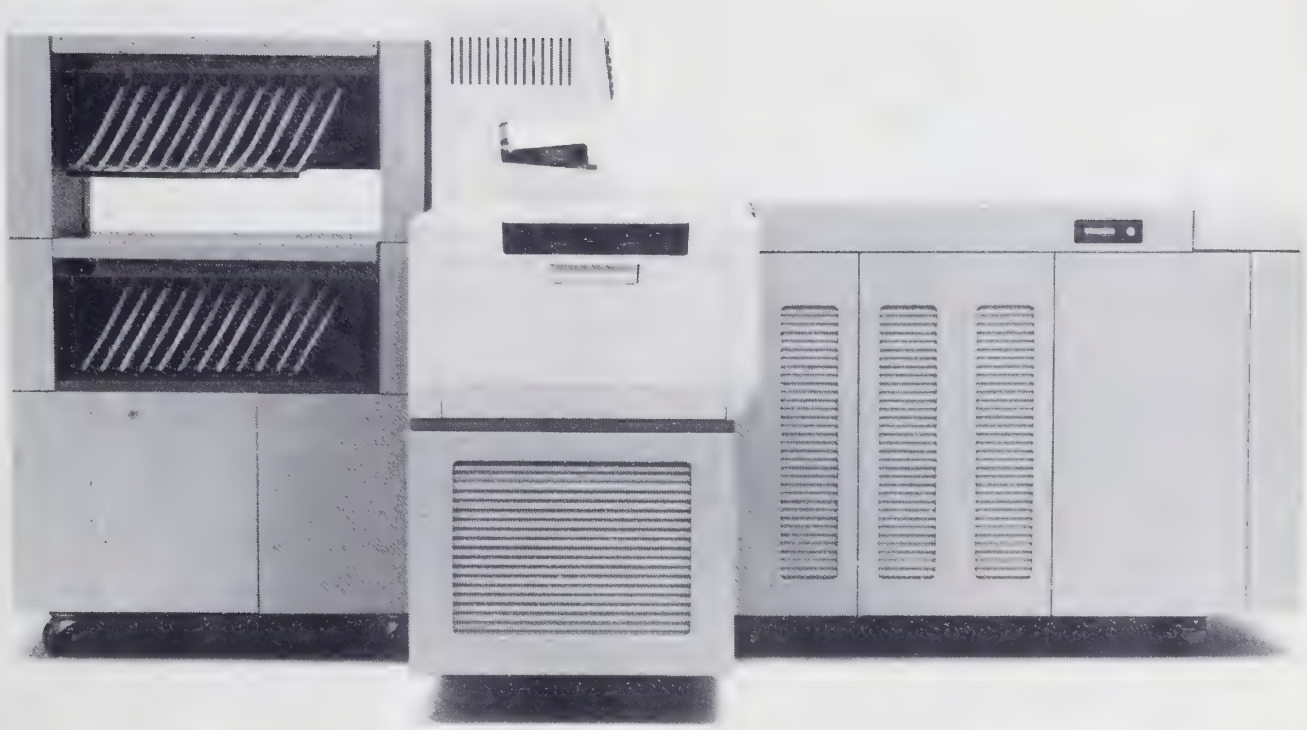
Connecticut has it: the nation's best one-stop, state-level industrial revenue bond package, the kind of financing that can cover total project cost. Economical long-term dollars for land acquisition, building construction and remodeling, machinery, equipment—even pollution control systems.

And that's only the beginning.

To find out more about Connecticut's locational advantages, contact, in confidence, Commissioner Ed Stockton, Connecticut Department of Commerce, Suite 711, 210 Washington St., Hartford, CT 06106. Or call 203/566-5037.

CONNECTICUT *pays*

IF YOU CAN OPERATE THIS MACHINE,



YOU CAN OPERATE THIS MACHINE.

Push seven buttons on a telephone and you have successfully made a phone call.

Push two buttons on a Xerox 9400 duplicator and you have successfully made a copy.

In fact, anyone who can master the technology of making a phone call can operate a Xerox 9400 duplicator. Which, like a telephone, can be used for many different jobs.

Because with the push of other buttons, a Xerox 9400 can:

Automatically feed and cycle originals, automatically reduce, automatically collate and automatically copy on both sides of a piece of paper.

Xerox duplicators come in different models with many different features. And each of our models is the model of simplicity.

To prove to yourself how easy it is to use one of these Xerox duplicators, just call Xerox with the machine on the left. The number is 800-325-6400. Ask for operator 9400.*

If you can successfully operate that machine, you can successfully operate one of ours.

XEROX

XEROX® and 9400 are trademarks of XEROX CORPORATION

*Missouri residents, call 800-342-6600

"OUR AIRPORT SHOWS THE RIGHT ATTITUDE FROM THE GROUND UP."

Amon Carter, Jr.
President and Publisher
Fort Worth Star-Telegram

"Airports can make or break you. Getting to and from... parking... luggage. So when we built Dallas/Fort Worth Airport, businessmen here were in on it from the ground up. And it shows.

"I can get from my desk to a departure gate in about 30 minutes. Make a business lunch in L.A. or New York and be home for family dinner. Or turn it around and have quick and easy fly-in meetings at DFW's on-airport hotel.

"Non-stop routes cover America. There's direct service to Canada, Europe, and South America. And Concorde flights to Paris and London. Along with multilingual services to help international travelers.

"Even little things like baggage claim areas work better. Because they're close to the gates, on the same level, and at the same terminal.

"And because of the weather, planes run year 'round. On time. Airline pilots have voted DFW the safest airport in the country.

"DFW makes it easy. Because it was built with the right attitude: that an airport isn't just for planes—it's for people."

Amon Carter, Jr.

For more information on the Dallas/Fort Worth Airport and other business facilities in our market, contact: Worth M. Blake, President, North Texas Commission, P.O. Box 61246, Dept. V, Dallas/Fort Worth Airport, Texas 75261. Or call: (214) 574-4430.

THE RIGHT ATTITUDE. DALLAS/FORT WORTH
THE SOUTHWEST METROPLEX

Readers Say

endangering lives and compromising activities.
—J.P. Hoguet
New York, N.Y.

The Guv liked it

SIR: Would you please send me a cop FORBES with the article on civil serv *("Return to the spoils system," Fact and C ment, Feb. 19)?* Governor Byrne [of N mentioned it favorably at the last cabi meeting.
—Phillip Alampi
Secretary of Agriculture,
State of New Jersey
Trenton, N.J.

Right name

SIR: When you referred to Equitable Assurance Society's *(Mar. 19)* use of savings banks to enable policyholder pay their premiums quickly by t phone, you incorrectly stated the na of our bank here in New York as Greater New York Bank for Savings. are The Greater New York Savings Ba
—John V. Jazylo
Assistant Vice President,
The Greater New York Savings Bank
Brooklyn, N.Y.

Forbes international

SIR: Requests for my book, *How To Mental Cavities,* have been received f countries I cannot even pronounce, a attribute that to quotes in FORBES *(C Comments, Mar. 5).* I trust your adve ing director is fully aware of the inte tional readership your magazine enj
—Bill Maltz
Beverly Hills, Calif.

More on buttered brea

SIR: Here are [elaborations] on the ol vation that the chance of bread fal buttered side down is directly pro tional to the cost of the carpet *(Fact Comment, Feb. 19):*

a) The odds increase in favor of buttered side down falling on the ca if the carpet is not washable.

b) The odds increase in favor of buttered side down if the carpet is wh

c) If the carpet is both nonwash and white, avoid buttered bread.
—Bruce H. Charnov
Vice President,
Yankelovich, Skelly and White, Inc.
New York, N.Y.

PUBCRAWLING IN AYRSHIRE TROPICALS

Enjoying a pint at Gibraltar's Ye Olde Rock, our Pub Crawler™ further refreshes himself in this cool Ayrshire® tropic-weight suit of Dacron® polyester and wool. The brown plaid enlivened with accents of rust and blue is very British because it's styled by Austin Reed of Regent Street. Yet very suited to the American taste because it's tailored right here in the States.

AUSTIN REED
OF REGENT STREET®

36 South Franklin Street, Chicago, Illinois 60606

© 1979 Hart Services, Inc

Somewhere around 400 B.C., a group of Celts quit feuding long enough to build a little village on the Danube.

In 800 A.D. it was christened Vienna and that made everyone Viennese.

Which meant the search was on for some nice music to dance to.

When Johann Strauss, Eduard's great-great-grandfather, came along and gave us the waltz 1,000 years later, we lionized him.

But our national quirk, best expressed by the attitude that life is a stage to play on, compels us to go with the disco as well.

It's this love of all things pleasant that gives us Vienna with eleven stately concert halls on the one hand and 50 acres of lively amusement park on the other.

A sophisticated night life after the sun goes down, the quiet beauty of the Vienna Woods after the sun comes up.

It also gives us Innsbruck. An incredible ski center in the winter. An incredible vacation area in the summer.

And Salzburg, called "The Rome of the North." Except that doesn't do it justice.

And Graz. You've never been to Graz?

Or taken a river boat down the Danube? Or driven over the roof of the Alps? Or encountered a hot sausage at a "Würstelstand"?

It's time. And it's easy.

Swissair, the airline of the Alps and representing Austrian Airlines, is your logical choice.

Just give them a call or see your local travel agent.

Meanwhile, if you'd like to know more about the pleasures of our country, drop us a line and we'll mail you some beautiful things:

Austrian National Tourist Office, 545 Fifth Avenue, New York, N.Y. 10017.

AUSTRIA SWISSAIR

"In Austria, our coffee houses remain faithfully old-world. I somehow wish the same were true of dancing."

Eduard Strauss

tar 11 mg nicotine av. per cigarette by FTC method.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

Introducing *Rich Lights* from Viceroy.

The first low 'tar' cigarette good enough to be called rich.

Kings and 100's.

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

INCOMPREHENSIBLE: MOST AMERICANS DON'T COMPREHEND

hat soaring oil prices are *not* the result of U.S. oil company onspiracies, that the shortage of the stuff *is* real.

There's a price conspiracy all right. But it stems from our oaring imports and the rest of the world's constant increase in il usage. Libya, Iran, Iraq and other U.S. haters are ecstatic hat they've got us and the Free World by the energy throat.)ther oil sellers can't resist—and why should they?—getting a igger price by exporting less oil and gas.

So while our Governor Browns prevent Sohios from piping llaskan oil to inland and eastern refineries; while Schlesinger-ing Capitol energy administrators energetically rebuff Mexican sources and confound companies trying to get more out of our ground, we blithely continue compounding our nearly catastrophic energy situation.

Those gasoline station queues of six years ago are around the corner. So are $1-a-gallon prices.

And until most Americans stop stupidly blaming nonexistent oil company "conspiracies" and instead start demanding that we do the many quickly do-able things that can really help solve the crisis, it'll continue to get worse and worse and worse.

THE "DESIRED" BUSINESS SLOWDOWN IS ONE "GOOD"

that may result from this renewed energy *crise*: It will give such a kicker to the inflation rate that the whole economy is apt to dampen down and demand may cease chasing capacity.

. . . AND THE OTHER GOOD THING ABOUT OPEC'S

itest price rape of its totally dependent customers is in the est tradition of the ill-wind-blows-*some*-good. Though our nflation rate's ominously higher than ever, the dollar has rmly firmed because every country needs a lot more of 'em to neet the quantum oil price jump. The stuff has to be paid for in .S. bucks.

In addition to this greater demand for our innumerable dollars abroad, the demand for American goods continues stronger because they are still *very* cheap as a result of the dollar's long, deep depreciation. Too, the American market remains the hugest and most stable one, where the oil-rich can put their vast stockpiles of $$$ to work remuneratively and safely.

So, buck up. The buck's up.

GIVING UNASKED-FOR ADVICE TO MEXICO

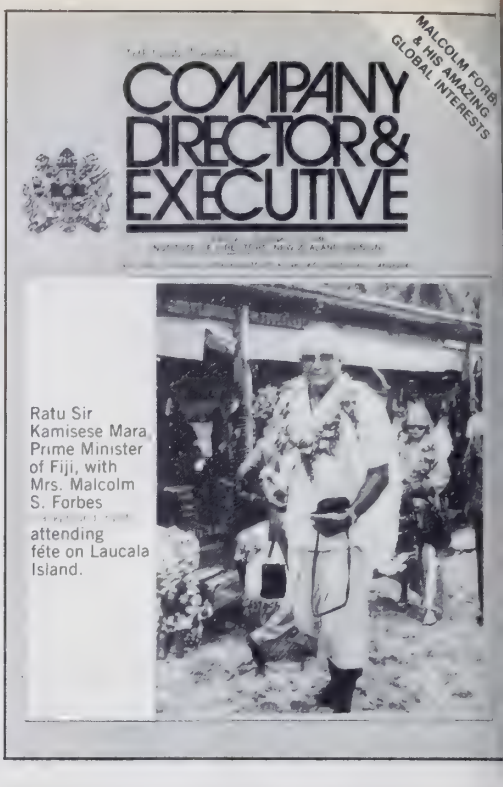
, we vehemently agree *(Fact and Comment, Dec. 11, 1978)*, no-no these scary oil-scarce days.

But, with humble and genuinely friendly intentions, we ould like to offer a suggestion to President Portillo of Mexico: wiftly crack down on Pemex, your government oil agency, nd make it compensate in a decent way the peasants on hose land vast oil reserves have been found.

Expropriating their farms—and further inciting them by lling behind in compensation payments—is the wrong way to go. Instead, let the peasants share a mite in this great, literally immense, good fortune. Such action would show that this Mexican government does believe in sharing the wealth of its people with its people.

Imagine, in Texas or Oklahoma or anywhere else in this country, how much of our oil, our gas or other natural resources we would have brought on stream if those lucky enough to own the surface turf were totally frozen out of the fruits beneath.

Reprinted from "The New Zealand Company Director & Executive," February 1979



Ratu Sir Kamisese Mara, Prime Minister of Fiji, with Mrs. Malcolm S. Forbes attending féte on Laucala Island.

HIS TINY ISLAND EMPIRE

A few of the following remarks, from an interview printed in The New Zealand official journal of the Institute of Directors, were made more in humor than in accuracy. With Editor J.D. Watson's tape recorder clearly shown in his hand, I can't deny I said 'em.—MSF

Malcolm Forbes, fast talker, faster traveller, even faster planner, the kind of man they write books about . . . deems it reasonable to spend a reputed $60,000 on a one-day "party" to mark the next stage in developing his Pacific paradise, a 4.7-square-mile island 160 miles off the main island of the Fiji Group which he sees only rarely—an event attended by the Prime Minister of Fiji, invited guests from Stateside and people from New Zealand and Australia.

Eccentric? Only in the sense that a man with all the needful is prepared to lay a fair bit of it on the line to back up a hunch that he can make still more money and confer a community benefit into the bargain. After all, the son of an Aberdonian printer (who established the forerunnner of today's prosperous FORBES magazine) must have a considerable canny streak in his makeup.

Laucala (pronounced Lauthala) Island came into Malcolm Forbes's possession when he bought it from Morris Hedstrom in 1972 for $1 million. He has poured money and equipment in to upgrade its economy, expand its development potential and bring prosperity for its inhabitants, who have increased from some 200 to about 350. In 1975, he threw his first shindig to celebrate the progress made up to then, travelling in his own golden DC9 jet sardonically named the Capitalist Tool. He doesn't own it any more.

Money Maker

"The Capitalist Tool was turned into capital," Mr. Forbes explained to me. "A year ago, a friend of mine, Mr. Kirby, the head of Westinghouse, expressed an interest in purchasing our plane because they had a big contract in Hawaii and he offered me $1 million more than we had paid for it. Since it was costing us almost $1 million a year to run, by being gracious and by saying yes, I instantly made $2 million, so that's the answer.

"I found that the food is better on a commercial airline, the pilots don't have to sleep as often, it took us three days to get here from New York, be it a long-range DC9 or not, and this way we leave New York and in less than one day we are in Nandi and Fiji. With the food being better and the service more reliable, the only alternative was to get a better plane, and that seemed an expensive solution, so we are out of the private airplane business."

Today, a jetty is being built at Laucala Island, it has an airstrip, crushed coral roads, new houses and a school built on the spot "with our own labour from blocks made here," a new copra dryer replacing the original one destroyed by fire and a power plant.

Fuel Saving

"Now," says Malcolm Forbes, smiling broadly, "we have the facilities to attract and keep good people, and enth siasm. Phase three is profitability and we think that to achieve it, with th economy of the island, is going to make all kinds of contributions to ou exchequer."

For starters, by using solid fuel (husk in the dryer the enterprise saves $1,000 a month—which is worth havin even for a millionaire.

"We are using the coconut husks a solid fuel with a fan business that enables us to do all the drying almost hours a day, where we used diesel fuel before. $1,000 saving a month or just that. When we get into producer gas with the shell business, which ma be a year down the road, we will only be using fuel for the vehicles on the island. That has gone very well because there are two ways to make mo ey. One is to spend less, and the other is to keep more of your income

"And then the crops—we were very encouraged by the corn; we will have five acres of kava under production. Most of the things we are doing should begin to bear fruit.

"We are even raising goats; they don multiply like rabbits, but they do multiply. We have them for both mil and meat, but principally meat. We are encouraged to think that '79 will be break-even year and '80 could begin to be profitable."

Forbes had spectacular plans to market a coconut cosmetic on a gran scale. It didn't work out. As Malcolm relates with candour.

"What has happened to that is very simple; we haven't been able to develop the market. It would mean

ɔping our own 500 tonnes of oil;
t would mean building our own oil-ex-
ction operation and being able to
rantee a uniformity of quality to
the approval of the Food and Drug
ministration. This is a tremen-
s administrative problem even for a
metic company like Max Factor
I know now more than I did then.
Cosmetics, just like perfume and
nany things, are purely a marketing, a
chological and advertising under-
ng. It has damned little to do with
t's in the tube or in the jar; it is
t women think is coming out of it
n they put it on their face, or
, or skin, or hair. That is an advertis-
and marketing problem, and all
are doing here is growing delightful
onut oil. I haven't said we are not
g to do it. Some day we are going to
e our own line of products.
We may not make any money on it,
we will have the fun of it. But
e is a price for fun. So the answer to
the idea and the enthusiasm ran
n this instance against the reality of
cosmetic marketplace—and that
big, tough and different business
n copra."

His Own

asked Mr. Forbes for details of the
tal structure. Does he have a
ding company linking his manifold
rests?
No," he responded smartly, "I hold it
n two hands. We have no stock-
ers except myself."
Fiji Forbes Inc. on a letterhead
st a name?
t is simply a book-keeping dif-
ntiation so we know which pocket
the hole in it!
The importance of the profit isn't
g to be the amount," he expand-
it is the fact that what we are doing
is easily duplicatable in most of
slands. It takes impetus and it takes
tal—we have both—and then
begin to generate; each generates
other.
think you will detect the enthusi-
of the people here and, literally,
makes an enormous difference in
uctivity because they are en-
ed about what they are doing. They
the new schoolmaster and the
schoolhouse, and all of this proves
table. I think only if it is report-
f people are aware of it, will the
mple be of real value, and the
rect value to Forbes is very obvious.
ows we can do good without losing
ey.

ing In

We have been putting in, instead
king out. We bought this land
an Australian company that
ceased spending money on the
place because the price of copra had gone down so much that they simply cut back on everything: The living conditions, spasmodic work, the extraction was short-range.

"We have both preached and measured American companies by whether or not they confuse the short run with the long run. Anybody can make a quarterly statement look very good if they stop spending money on R&D. If they are marketing, they can cut an advertising budget in half and, gee, their next statement makes the semi-yearly earnings look great, but the price is down the road. That's what we try to report on American companies—which measure, which vision, which range, what's at the price of what? We are applying the same thing here.

"So to answer people's questions, no, we are not going to philanthropically hand the island over. I don't know to whom it would be handed, I don't know if you would run it by commune or what-not. The way it is run now everybody knows that the manager is in charge, everybody knows that there is a better day's pay for a good day's work; there are all kinds of incentives, I think. The whole way of life and spirit has improved. I am not sure turning over the island lock, stock and barrel, and just leaving it would necessarily make it a greater paradise."

Millionaire host Malcolm Forbes keeps his cool while going on record with the facts ... and bestowing hospitality at his island hilltop home.

Optimistic Outlook

The incredible Mr. Forbes is an unabashed optimist that things will turn out well for the U.S. economy and the world in general.

"I think I don't share the pessimism that most of the American economists are expressing," he declares. "I think that is a source of hope when all those informed fellows get together on how dire things are going to be; it is a prelude to prosperity as a rule.

"I don't say that cynically—they just get so enmeshed in the statistics and the woods of facts and figures and forget that what got them all upset and what drove the stock market down was the prospect that we were going to slow down on inflation. So everybody said 'Gee, that means a recession.' It doesn't.

"The restoration of confidence in the dollar will come, and that will reduce the rate of inflation considerably when they know the Government *is* serious, and I think that the President is serious. I hope this time he will be consistent.

"All the things that have driven the market down and depressed a lot of economists are the things that are essential to restoring the value of the dollar and to slowing inflation. Inflation was something everybody worried about until suddenly they did something about it and then the same people said, 'My God, it's a disaster! We are going to have a recession.'

"It is fortunate that most people are not economists and they have more common sense. The restoration of confidence in the Main Street of the U.S. and the capitals of Europe is very real, so long as the President doesn't take his foot off the brake. I think really listening to economists is something students should do, so they know what *not* to practise when they are out in the wide world."

Pacific's Potential

Mr. Forbes is utterly sold on the potential of the South-west Pacific for the kind of development he has launched on little Laucala.

"Well, if we are fortunate we will be doing more of it here—I think so. I think the attitude is great, and I am not talking about superficial spirit. I think it is an extraordinary country, it is an appealing country to a lot of foreigners if they are not looking for instant return. As an investment area, where do you find comparable possibilities, potential, where small amounts of capital can have a great impact and where people have a positive attitude about it?

"I mean, in Fiji you can have all your political differences between competing parties, you can have that sort of vehemence which Americans thoroughly understand, but I don't think you have the threat of revolution and extremism. Compared to other parts of the world, Africa, some areas of South America, the alternative isn't the dictatorship of the Right or the Left, but who gets the steering wheel. It is in the framework of a democracy and of a people. I think there is a great sense that they are well off, everybody wants to be better off. The first sign of being well off is when you want to be better off. I think that prevails here."

ATOMIC ENERGY IS FURTHER BEHIND THE 8 BALL

Why? Because, quite aside from hard-core fanatic environmentalists, a growing number of people seem to have increasing doubts about the safety of such plants; about the safe disposal of atomic wastes; about the availability of adequate uranium fuel that would not also be subject to a cartel of foreign powers. Utilities themselves, for all these reasons plus pole-vaulting construction cost estimates, are canceling or postponing projected atomic power plants.

It's no use to say that nobody's yet died from an atomic plant accident. The fact that there have been a number of widely publicized leaks, fires and other accidents—though without fatalities—doesn't reassure an increasingly dubious public.

It's no use, either, saying that we "have to" have ato power to meet power demand. If the public *won't* hav other ways will be found to fill power needs, or pc "needs" will be reduced by the simple fact of not havin we want.

All this is not to say that atomic power has a dwind future. I'm simply pointing out that the glibly rosy forecas a geometric increase in this energy source have evaporated they won't be resurrected until the aforementioned probl are met with more convincing answers.

The heat's now on for more coal, less for atomic energy reduce our soaring dependence on OPEC oil.

NOTES FROM A TRIP THROUGH CHINA

By M.S. Forbes Jr.

In a discussion over China's modernization program during a recent trip in that country, a high Communist provincial official observed, "Of course, the U.S. became very rich selling arms to its allies during World War II."

When it was pointed out by members of the group I was traveling with that after 1940 the U.S. gave away arms to its allies, the man and his colleagues chuckled with disbelief. The smiles soon changed to expressions of shock when they realized that we were serious.

"Do you mean to tell us that the capitalists made those weapons for no money?"

"No, they were paid by the U.S. government."

"And where did the government get the money to do that?"

"From the taxpayer."

"Impossible!" the Chinese exclaimed. "You cannot expect us to believe that the U.S. gave so much material away." Their shaking heads deterred us from even attempting to tell them about the Marshall Plan. Although "capitalists don't give things away," these Chinese found it difficult to understand that capitalists' governments often do.

Virtually every shortcoming in China today is blamed on the Gang of Four. One realizes that these scapegoats make it possible for the Chinese to be so frank about backward conditions and their need for assistance from the U.S. and other Western countries.

One evening in Peking we attended a play depicting the difficulties of a provincial school during the Cultural Revolution. (The heroine was a teacher who wanted to continue giving students examinations and who later died because of her beliefs.) During the intermission, one of our guides explained to us that the Cultural Revolution had ruined Chinese education: "The standards were so low that the students learned very little."

When this writer jocularly observed that U.S. educational standards seemed to have deteriorated during the same period, the startled guide said, "But how could that happen? The U.S. didn't have a Gang of Four."

The centuries-old antagonism between China and Vietnam was underscored one morning when this writer asked a guide how the war was going. "There is no need to worry," he replied. "Unlike you Americans, we are not afraid of the Vietnamese. Unlike you, we will teach them a lesson."

Later, several of our group tried to explain to the Chinese why the Vietnam war had been so traumatic for the U.S. When one of us mentioned that some 50,000 American men had lost their lives, the reaction of the Chinese was, "Is that all? You mean to tell us that that could upset a great country like the United States?"

When it comes to sexual mores, the Chinese would do the Victorians and Puritans proud. Premarital sex is taboo. No contraceptives are available for single persons. The ultimate disgrace in Chinese society is for a woman to have an illegitimate child. Males in urban areas are not permitted to marry before age 27 (25 in the countryside); females, 25 (23).

A story told by one of our guides underlined how strict these conventions are. One of her classmates was unusually beautiful and had several boyfriends (a shocking situation, apparently). As was to be expected from someone so loose and pretty, the guide went on, she became pregnant. Before she was permitted to have an abortion, however, she had to name the father. Then both had to undergo harsh public criticism. Our guide concluded smugly, "No one would wish to marry her now."

One evening a handful of us (including an American who could speak Chinese fluently) made an unannounced visit to a city hospital. The hospital had all the attractiveness of a dank cellar. A glance at the floor showed that the spittoons were rarely used. There were eight patients to a room and they were dressed in their street clothes. Their bedding could hardly be described as antiseptic.

The American doctor with our group asked his Chinese counterpart if he could take a look at the X rays. The X ray of the first patient was found under a pile of papers in his bedside drawer, that of the second patient under the mattress, and the X ray of the third patient had been wrapped in newspaper and placed behind a picture on the wall.

A look at health facilities in underdeveloped countries does make one realize how well off we in the West are and makes the plethora of medical malpractice suits in the U.S. seem ironic.

By chance some of our group met several Chinese dissidents. The criticism of their country by these people was scathing. One of them said, "Your system is good. Ours is bad." When asked why he thought so, he replied, "How is it then that the U.S. has been able to do in 200 years more than we have done in 4,000?"

A scrapbook day.

One in a series of paintings by Joseph Csatari depicting Taft Broadcasting Activities

It was a happy day. A family day that brought everyone closer together. Tomorrow's memories, to be relived and enjoyed together.

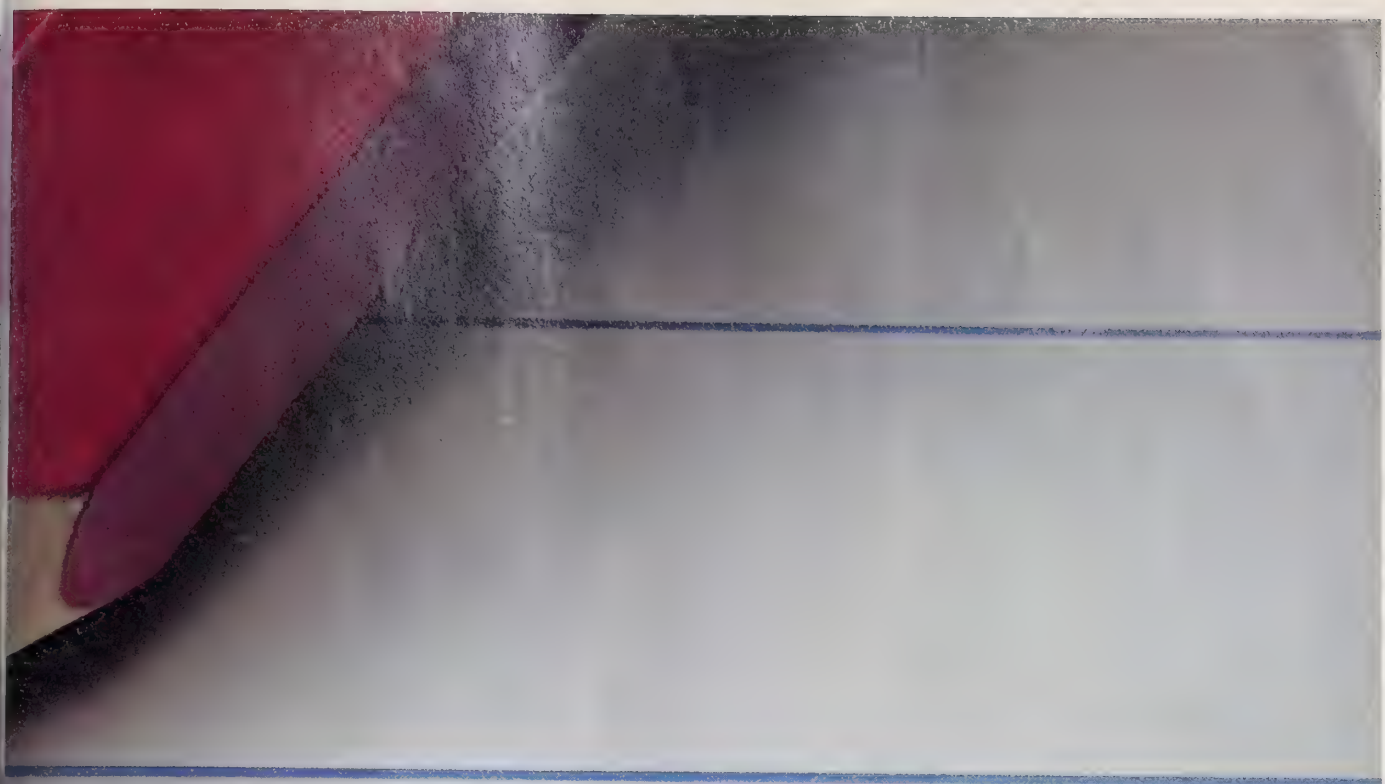
Even though our name is Taft Broadcasting, our themed amusement parks host over 6 million people a year. Our radio and television stations serve eight major markets; and Hanna-Barbera, our television and motion picture arm, counts its audience in the hundreds of millions worldwide. Our success and profits grow in the expanding areas of family entertainment.

For complete information on our steady growth, write to Mr. John T. Lawrence, Jr., Taft Broadcasting Company, 1906 Highland Avenue, Cincinnati, Ohio 45219.

TAFT
Broadcasting Company

Informing and entertaining the American family.

This advertisement is published by IDA Ireland, 200 Park Avenue, New York, 10017, which is registered under the Foreign Agents Registration Acts, as amended,as an agent of the Governmer



The highest return on investment in the Common Market.

REPUBLIC OF IRELAND

The most profitable industrial location in Europe.

US Department of Commerce statistics for the period '74-77 show a 28% average annual return on investment for US manufacturers located in the Republic of Ireland-more than twice the European average.

IDA Ireland
INDUSTRIAL DEVELOPMENT AUTHORITY

The Irish government's industrial development agency has offices in New York, Tel (212) 972-1000; Chicago, Tel (312) 644-7474; Houston, Tel (713) 658-0055; Los Angeles, Tel (213) 624-1024. Overseas offices also in Toronto, Amsterdam, London, Paris, Cologne, Stuttgart, Copenhagen, Milan, Madrid, Tokyo and Sydney.

rial is filed with the Department of Justice where the required registration statement is available for public inspection. Registration does not indicate approval of the contents by the United States Government

Imagine tomorrow not liquid, not solid.

We do.

Picture all the work accomplished by all the natural gas America has produced in its entire history. All the bread baked, homes heated, crops dried. Now picture twice that amount.

We think there's *that much* waiting to be found Under U.S. soil. Beneath U.S. waters.

Which is one reason why Mobil has spent more than $1 billion on Gulf of Mexico leases since 1970. A good investment, it turned out, for our natural gas finds have been outstanding. More than making up for declining production from older Gulf fields, they've boosted our offshore gas sales from the Gulf by some 80% during the 1970's, to almost 300 billion cubic feet a year.

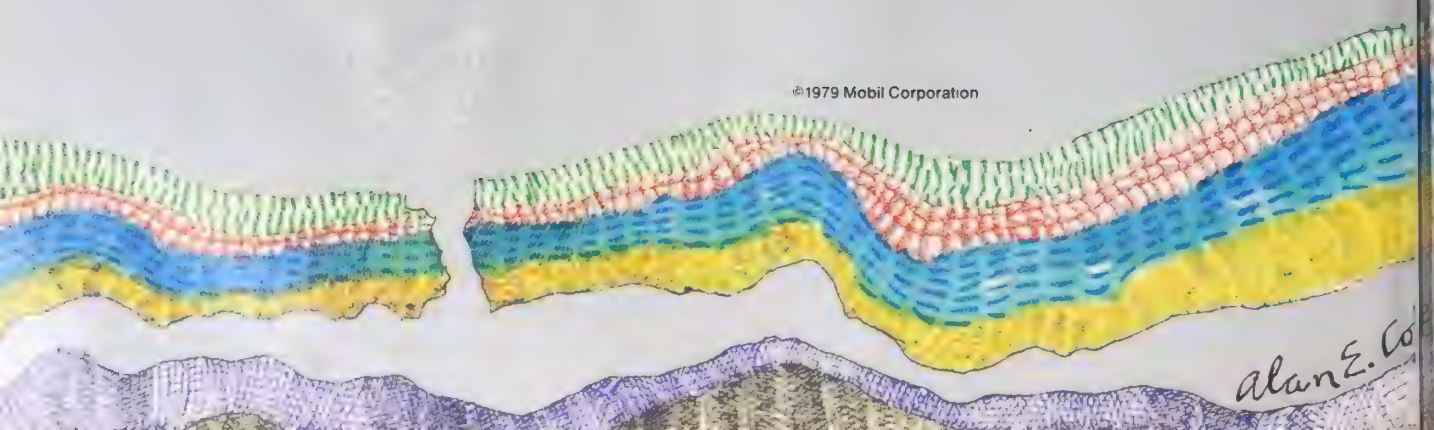
Abroad, too, we've had that special touch with gas. Mobil's fields in Germany now produce over a fifth of all the gas that country uses. Liquefied natural gas from the huge Mobil-discovered Arun gas field in Indonesia is already moving to Japan.

Gas, of course, has had political problems: wellhead price controls that for more than a quarter century inhibited the search for new domestic supplies. And those problems aren't over yet. Which is why we speak out for measures that will ease complex gas regulations and encourage gas producers to do their real job—finding energy needed for a better tomorrow.

Mobil®

Speaking out for tomorrow...today

©1979 Mobil Corporation



Camels kneel to let passengers on, but with buses people have to climb steps. Maybe the U.S. should switch to camels?

The strange case of the kneeling bus

By Fern Schumer

While President Carter is urging Americans to use less oil, his own bureaucracy and minority pressure groups have stymied progress in one of the most promising areas of energy saving, public transportation. Outside of a few metropolitan areas like New York, Boston and Chicago, public transportation can mean only the motor bus; subways and railroad lines are simply too expensive to build.

So why are the buses presently in use based on 20-year-old designs, crowded, smelly, with windows that won't open, air conditioners that don't work and heaters that won't stop? Designing a new and better bus would seem a simple enough problem in an age of computers and space travel. Nevertheless, for the last ten years progress in bus design has been stop and go—mostly stop. Here's why: The federal government decides what kinds of buses will be used.

Washington pays 80% of the cost for mass transit, and so federal bidding rules say that the lowest bidder gets the business. Since a new bus would cost more to build and develop than older models, no manufacturer could afford to develop new models; he would be priced out of the market.

The federal solution: a bus contest, with each bus builder—and there weren't many, with General Motors Corp. the biggest—to submit its design, followed by prototype building, testing and more prototypes. That was eight years ago, and the final decision is yet to be made. Ironically, the plan to increase competition has had the effect of lessening it.

The climax could come May 2 when manufacturers are to bid for the first major contract to build "Transbus" (short for Transit Bus), the bus of the future. But, hang on: There are only two manufacturers left in the bus field—GM and Grumman Flxible Corp. (American Motors pulled out of the transit bus business last year because of the confusion.) Grumman has announced it won't bid on the Transbus and GM hasn't decided yet. After Sept. 30 the government will only subsidize the Transbus and no one wants to build it.

GM's Rapid Transit Series bus

GM's advanced bus, which "kneels" at curbside to help the handicapped, costs about $110,000 each. Federal specifications for the "Transbus" would raise the cost to $230,000.

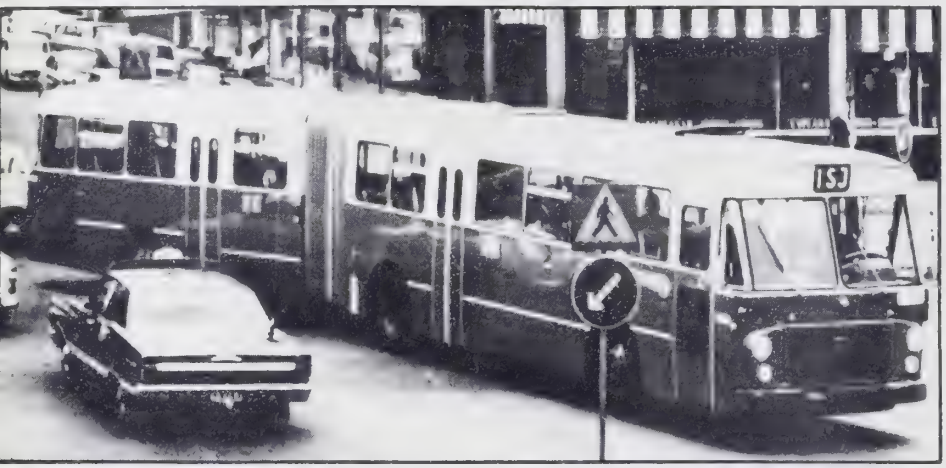
The Transbus, says GM, which built prototypes, is just too costly and technically unsound. The problem is a revolutionary design that makes the bus more accessible for handicapped passengers: The floor height is 22 inches and the bus "kneels" to 18 inches for boarding, and there's a front door ramp or wheelchair lift, too.

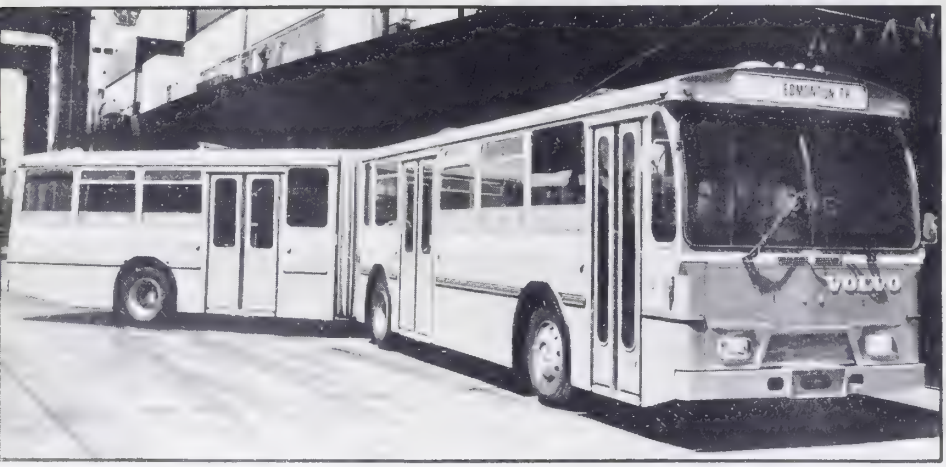
While the Transbus concept was being thrashed out, GM received government permission to build an interim "advanced design bus," which cost $80 million to develop and is now on the streets of Houston, Detroit and several other cities. Grumman Flxible, too, makes an advanced design bus which it wants to keep selling.

With so much money sunk in the advanced design bus, GM and Grumman do not want to start all over with the Transbus. Edward Stokel, director of public transportation for GM's Truck and Coach Division, wonders why a whole new design is needed for a kneeling bus: "Our present advanced design bus is everything the Transbus is. The only difference is that the Transbus has one less step, an extra rear axle, and its wheelchair lift is in the front instead of the rear."

He has a point: The Transbus would cost about $230,000 a copy as compared

Rear door of GM's "RTS" bus
In addition to the kneeling feature, GM's design accommodates a hydraulic wheelchair lift. In view of that, and all the time and money spent, GM wonders why it is being asked to start all over on a Transbus.





Articulated bus in use in Stockholm (above) *and test model in Canada*
Built by Volvo, each costs about $200,000 and gets 3 to 4 miles per gallon. Other articulated buses, which bend around corners, are made in Germany. But no foreign manufacturer—all are eligible to bid—can meet Transbus "specs."

with $110,000 for the GM advanced
sign bus.

Luring more citizens onto buses wou
seem to call for different solutions:
buses, little buses, special rush-hour
lanes that make buses faster than ca
More part-time workers to increase ru
hour service would help too. (Many cit
agree to hire only full-time worke
meaning eight hours' pay for three hou
work, which spirals costs and stints s
vice.) Obviously, more incentives
needed to get manufacturers more int
ested in the bus field, not fewer.

Thomas J. Bernard, president of Gru
man Flxible, says his company won't
on Transbus May 2 because "it is t
greatest risk any bus manufacturer cou
take. The contract specifications wou
only interest somebody intent on goi
out of business."

Foreign bus manufacturers may bid
the Transbus. While U.S. buses are su
posedly safer, Europeans seem to be w
ahead of Americans in bus design; ev
the buses in Red Square look snapp
than the typical General Motors dies
For example, the new articulated bus
which are being tested throughout t
U.S. (they bend around corners) ca
from Germany. But, no foreign manuf
turer now makes a bus meeting t
Transbus specifications. Nor is likely

Meanwhile, about 4,500 new buses
needed every year to replace old equ
ment. Many public transit authorit
have delayed orders until the Transb
issue is settled.

Not surprisingly, handicapped lob
groups see the Transbus as a symbol
their rights to equal access guaranteed
the Rehabilitation Act of 1973. Ma
handicapped leaders say they don't wa
special transportation because it carrie
stigma, a mark of inferiority. To lift th
supposed "stigma" they want the ta
payer to spend nearly a half-billion d
lars a year extra to build Transbus.

Today's America is a decentralized
ciety, living everywhere and headed in
thousand directions each morning, n
just pouring into a downtown or a fa
tory area as it did half a century ag
Only the bus seems to have the versat
ity to match today's travel pattern.

It may well be that nothing short
force will cause Americans to less
their dependence on the automobile, b
how will anyone know unless people a
given comfortable, convenient bus s
vice? Here are the figures: Since 19
the year the energy crisis erupte
Americans have increased their passe
ger car driving by about 17%, but b
usage has increased only 10½%. Tra
portation Secretary Brock Adams adm
that if there were a 10% swing fro
autos, it would overload the public tra
portation system. While the lobbyi
and bureaucrats fiddle, a great deal
unnecessary oil is burning. ■

t's still coup and countercoup at Beatrice oods. The king is now deposed—or is he? nd what of the peasants toiling in the fields?

The war of the succession

By Stanley H. Brown and Marcia Berss

THE DUST HAD just about settled after the last shakeup at Beatrice Foods Co.'s headquarters in Chicago hen Wallace Rasmussen, chairman and EO of the nation's biggest food com- ny, talked himself into another one. esult: At the annual meeting in June, eatrice's shareholders will meet the ird board chairman in 22 months.

After getting rid of a rival and potential ccessor, Rasmussen seemed finally to ve consolidated his hold on the com- ny when he persuaded the board last ecember to suspend the mandatory rule at would have forced him to retire at in July.

Then last month the board cre- ed yet another upheaval by re- rsing itself, reinstating Rasmus- n's July retirement and asking m to name a successor.

What happened? Hubris, the ide that challenges the gods. A ORBES article *(Feb. 19)* describing asmussen's coup quoted him as inimizing the contributions of rmer Chairman William Karnes, e architect of Beatrice's growth om a $250 million dairy chain to $5 billion conglomerate. That as too much for some board embers who began having seri- s second thoughts about the ived retirement rule. One out- le director said: "Let's just say e article was read by all the ard." Added another close ob- rver: "You just couldn't question asmussen's grandeur."

Grandeur or not, the man who rted out hauling ice in a dairy in ncoln, Neb. clearly had put his t in it. When the board met last nth at the Metropolitan Club on e 66th floor of Chicago's Sears wer, one outside member asked smussen, "Who would replace you today if you had to retire?" That's a question directors should and do ask these days if they're doing their jobs, but Rasmussen sensed that the question was more than hypothetical when he framed his reply: "If I left today, it would be Dutt and Eckrich; if I left in a year, it would be Dick Voell."

The meeting broke for a lunch of Boston scrod and more deliberation. When the directors filed back in they demanded that Rasmussen retire as originally scheduled, and then, 12 to 9, went along with his selections. James Dutt, 54, will be the next chairman and CEO, and Donald Eckrich the next president. (Passed over, Richard Voell quit the company, and two outside directors, both members of the nominating committee—Durward Varner, president of the University of Nebraska Foundation, and John Williams, chairman of the Williams Cos.—resigned, reportedly in protest over his treatment.)

Does that mean that Rasmussen's reign ends with his retirement in July? Probably not. For one thing, he retains his seat on the board till he's 68. For another, he now becomes chairman of the executive committee. But perhaps most important, Dutt is Rasmussen's protégé, for however long the mentor-protégé relationship lasts.

What has happened at Beatrice lately has its roots in the history of the company. Karnes, for all his energy and vision, was shortsighted about the "after me" problem. He named his own protégé, William Mitchell, as chairman and designated successor to Rasmussen when the latter was made president and CEO in 1976. That move didn't work because the two were antagonists from the start, and Rasmussen soon arranged a showdown with the board that resulted in Mitchell's 1977 resignation and his own elevation to chairman, along with the suspended retirement last winter.

At the time of the latest reshuffling last month, the board decided, in the hope of maintaining tranquility, not to drop those of its members who had reached the mandatory board retirement age of 68—including Karnes and his last president Don Grantham. In addition, three of its executives who were not slated for reelection will now also remain on the board. That bolsters Rasmussen, whose principal support has come from inside directors. But Beatrice has been under pressure from the Securities & Exchange Commission to increase the number of outside directors, and when the board finally decides that the air has cleared enough to replace those five, Rasmussen and his people will doubtless face a lineup less committed to present management.

However inadequate Karnes' provisions for his succession may have been, the sprawling decentralized enterprise he built has managed to thrive almost without regard to what was going on at headquarters. With estimated earnings of $260 million on sales of about $7.4 billion last year, Beatrice Foods has managed to keep the Meadow Gold milk, the Dannon yogurt and the Tropicana orange juice moving off the shelves as though Rasmussen and his adversaries were kissing cousins. The big question now is whether the turmoil in Chicago will begin to affect operations in the plants, the dairies and the warehouses. So far it hasn't. So far. ■

Beatrice Foods departing Chairman Wallace Rasmussen
He lost the battle of Beatrice. But the war?

Commonwealth Edison's nuclear problems have been financial rather than technological but Three Mile Island is still going to hurt.

Financial fallout

By Bob Tamarkin

FOR CHICAGO'S Commonwealth Edison—the nation's biggest supplier of nuclear-generated electricity—the recent Three Mile Island nuclear accident couldn't have come at a worse time. Long regarded as one of the best-run utilities, Commonwealth Edison, says Chairman Thomas G. Ayers, is in the grip of its "worst financial crisis" in his 41 years with the company.

Its problems are, fortunately, financial rather than technological, but the Pennsylvania mishap certainly exacerbates those problems. With $4.4 billion worth of construction under way, all of it nuclear, Tom Ayers faces the prospect of further delays in construction plus possible resistance in the market to future financing of a nuclear-oriented utility.

It doesn't help that Commonwealth will report a poor first quarter: Earnings will be down because the brutal snowstorms that afflicted Chicago plus shutdowns in one of its seven nuclear plants forced the utility to pay through the nose for outside power and additional coal and oil.

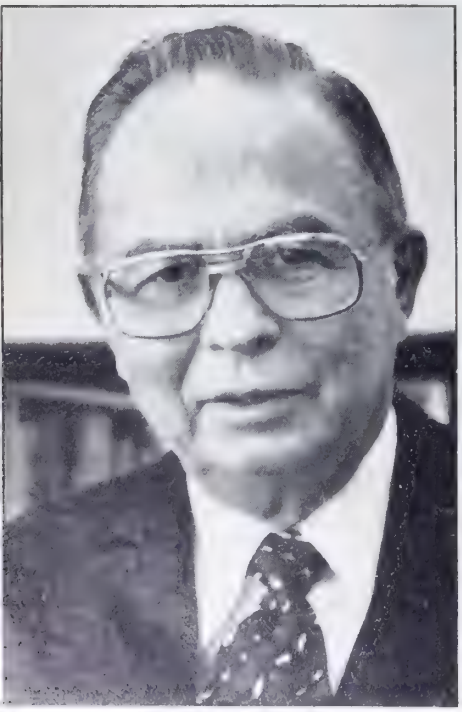
In January Moody's Investor Service lowered Edison's bond rating from AAA to AA because of the "strain of a continually escalating construction program" and a "delayed and disappointing decision by the Illinois Commerce Commission" for a rate increase. Last December the utility got $75 million of a $128 million rate increase requested in January 1978. The 3.1% rate hike had been Edison's first in the past 18 months.

Edison had hoped to finance 50% of the cost of its expansion externally. Even if it sells the $1.1 billion in vari securities it plans to sell this year would still be short $400 million.

Earlier this year, the utility mad common stock offering of $180 milli and sold $150 million of preferred sha in a private placement last month. placed another $50 million in pollut control bonds, and still has $300 mill of debentures in the offing. But under current rate structure, it is unable to o a planned $250 million in first mortg bonds without reducing its coverage 2.4 times pretax earnings, below the minimum set in its bond indenture. N is further equity financing palatable: T stock, yielding about 10% at the curr market price of $25 a share, is selli over $4 below 1978 book value.

Obviously, either Edison's expansi program or rate structure has to give. N many were surprised when Edison ea this month asked for another rate crease—least of all the analysts who ha repeatedly criticized Edison for not pu ing past rate requests hard. The requ of $452 million would increase ra 18.3%—the biggest single incre ever—for Edison's 8 million custome or about $4.50 a month for the aver household. What did surprise some, ho ever, was Edison's request that half t increase be available on an interim ba while the hearings for the full amou proceed. The interim increase, insi Chairman Ayers, "is absolutely crucial finance our business." The company ready has contingency plans to st work on some of its new plants.

Ayers claims that he was braced fo round of protests after what happened Three Mile Island but was pleasantly s



Commonwealth Edison CEO Thomas Ayers
His customers aren't worried.

Dresden I, Commonwealth Edison's first nuclear plant 50 miles west of Chicago
A year-long shutdown to chemically clean 19 years of nuclear crud.

rised that there was almost no back-
sh. In the week following the incident,
ys Ayers, Edison received only two
lls from worried customers: "It tells us
r customers still have confidence in us
d are not panicked." Chicagoans, ap-
rently, are happy with Common-
ealth's dependable, relatively low-cost
rvice. The problem is that anything
at may delay work on the six nuclear
ants now abuilding would prove ex-
emely costly, with interest rates as
gh as they are. In the long run, Com-
onwealth's consumers will probably
nefit because nuclear power plants are
eaper to operate than coal- or oil-fired
ants, but in the short run, the cost of
nstruction loans could be crippling.
The cost of building new nuclear plants
staggering. For example, a 1,000-
egawatt nuclear plant that took five
ars to go on line cost Edison $147
illion in 1970. If proposed today, the
me plant wouldn't be on line until 1989
six times the cost. In any project that
kes ten years to get into operation,
terest costs alone will at least double
nstruction cost—to say nothing of what
ntinuing inflation will do.
Despite the Three Mile Island inci-
nt, Ayers still hasn't altered his basic
sition on nuclear energy and expects
ommonwealth to go 48% nuclear by
983. "In 21 years and some 450 reactor
ars of U.S. operating experience, no
nployee or member of the public has
er been injured, much less killed, by
e operation of a commercial reactor,"
e says. But he concedes: "Confidence
s been shaken. When you oversell safe-
, an accident hurts your credibility."
A team of Edison nuclear engineers is
rrently at Three Mile Island assisting
decontamination procedures and look-
g for ways to improve Edison's safety
stems. (One of Edison's main stations
of a design like Three Mile Island, but
as built by another manufacturer.)
When he considers other energy
urces, Ayers becomes even more ada-
ant about nuclear power. "I don't think
l is an alternative any more; too scarce
d high-priced," he says. Last year Edi-
n produced 30.6 billion kilowatt-hours
th nuclear energy, or 45.5% of the
mpany's total electrical output. To
oduce the same output with coal, he
ys, would have cost Edison $365 mil-
n more; with oil, $800 million more.
True, but more trouble probably lies
ead. Illinois Governor James Thomp-
n has appointed a committee to re-
ew safety systems, procedures and
uipment at Commonwealth Edison's
ven operating reactors. Some of these
ys, Tom Ayers must almost find
mself hoping for another Arab oil em-
rgo to make his customers aware
w fortunate they are to be living in
area that has all that nuclear power
fall back upon. ■

A smart Oklahoman is using Elsie the Cow to help solve the energy crisis.

A lot of manure

By Allan Sloan

IT WAS ONE of those "great" ideas—converting part of the nation's ample supply of cow manure into the equivalent of natural gas. James M. Samis, backed by Dallas oilman Clinton W. Murchison Jr. and inspired by a festive bottle of Scotch, had even picked out a great name for the venture: Calorific Recovery Anaerobic Process Inc., a corporate title with an evocative acronym.

Samis, a 53-year-old mechanical engineer, built a $3 million plant to convert 800,000 pounds of manure material a day—a typical feedlot cow excretes about 11 pounds of waste a day, plus 61 pounds of liquid—into 1.6 million cubic feet of methane gas, with fertilizer and cattle feed as by-products. The gas burns like natural gas.

The Natural Gas Pipeline subsidiary of Peoples Gas of Chicago was glad to buy the gas, and Samis didn't think he'd have any trouble selling cattle feed or fertilizer. Manure wasn't any problem, either, because Samis built the plant near large cattle feedlots at Guymon, in the Oklahoma panhandle.

The project was a natural outgrowth of the main business of Thermonetics, Inc., the Oklahoma City-based parent of the new venture. Thermonetics, owned mostly by Murchison with Samis as a junior partner, provides heating and cooling to three University of Texas campuses, using natural gas as fuel. Samis, afraid that Thermonetics might lose its gas supply, wanted to be able to make his own.

Samis was so happy about signing Peoples that he christened the new company on the flight back from Chicago to Oklahoma City as he, his lawyer and their wives rejoiced over a bottle of Scotch.

The plant works by mixing manure with water in a closed vessel, and letting it sit at a 95-degree temperature for ten days or so while anaerobic bacteria work on it. That produces gas, which is drawn off, purified and given to Natural Gas Pipeline. What's left over is either cattle feed or fertilizer, depending on how it is processed.

The only problem Samis had was that part of the plant, opened in 1977, didn't work right. Because the plant's manure is gathered by front-end loaders that scoop up everything and dump it into trucks, Samis says, "You had rocks and sand and fence posts that got into the manure. It cut holes in the pipes and pumps. We had to throw away every nut and bolt in the front end of the plant, and start again."

That cost another $2 million, says Samis, bringing the total cost of the venture to $5 million.

Now the plant is working better, and the problem's been licked, he says. "We've had a long, hard battle learning how to do this, and we've solved it." ■

Oklahoma engineer Jim Samis
His manure plant's working now.

What makes Union Camp profit leader of the big paper companies? In a word, timing.

Cyclical is as cyclical does

Union Camp's Sox Calder (left) *and successor Pete McLaughlin*

Not doing the wrong thing was as important as doing what's right.

"THE PAPER BUSINESS," says Union Camp Corp. Chairman Alexander Calder Jr., "has been branded as heavily cyclical, but it's not cyclical on the demand side. It's cyclical on the supply side." It's a significant point Calder is making and it helps explain why his Union Camp, the U.S.' tenth biggest paper company, remains the industry's most profitable major company.

In Wall Street's thinking the terms "paper industry" and "cyclical" are almost inseparable, but the fact is that demand for paper products in the U.S. grows at a fairly steady 3% to 4% a year, come what may. However, modern paper plants are so huge that whenever a new one comes on stream a big bulge occurs in supply somewhere. Bring on several at once, and you've got a glut coming. That means price-cutting, and, since demand is fairly inelastic, nobody really gains. This is very different from the kind of cyclicality that afflicts steel, say, or chemicals, or copper, where demand can fluctuate greatly year to year.

This being so, the last thing any paper manufacturer wants is to expand when prices are weak. On the other hand, you can make very nice profits if you happen to be in a product where demand has gotten even temporarily ahead of supply as it has in white papers recently (*see* "Supercompany," *Apr. 16*).

It's a tricky game, and Sox Calder—as he has been known ever since his aunt knitted him his first pair of socks—is very good at playing it. Two years ago linerboard—the stuff that's used in orange juice cans and corrugated boxes—was in big supply. Prices were weak. Yet Calder picked that moment to start building a $250 million linerboard mill at Montgomery, Ala. It was very big money for Union Camp, whose total capital at the time was only about $900 million. The timing looked bad, too. Competitors wondered what he knew that they didn't know. In fact, Calder has sensed the market exactly right. The glut had discouraged rivals from expanding and so, during the time the mill was building, the glut was vanishing.

Last month, with the completion of that Montgomery mill little more than a year away, linerboard prices were running at $235 a ton, up from $195 as recently as November. Supplies are tight, inventories are down from 7 weeks o to 4.8, and Calder doesn't doubt that h be able to sell his new mill's product at a good price as soon as it becor available.

"Our timing is pretty good on tha he says. "The mill was hard to just but it'll come in in a tighter market th we forecast. There's no way we're going to be operating at more than 9 of capacity for the foreseeable future."

The new mill not only will expa Union Camp's commitment to a prod that accounted for over 40% of its to paper output last year but, because it i modern and efficient, it could cut Un Camp's linerboard production costs $22 a ton. Assuming the market ho the impact on Union Camp's ove profits could be considerable.

It's decisions like these—apparen risky on the surface, but reflective c shrewd, careful reading of the dynam of the market—that have earned Un Camp, over the past five years, an av age 20.9% return on equity, 13.8% capital. The $122.7 million ($5.06 share) it earned last year on $1.2 bill in sales was somewhat under i amounting to only 17% on equity, bu still surpassed the industry average. bad year for Union Camp would b good year for many of its competitors

"Strategically," Calder says, "we been in the right segments of the pa business—packaging and bleached pers. Some of our greatest decisions ha been not to go into a commodity. stayed out of the tissue side, out of newsprint side. We don't have any c mills—other companies are shutt down their mills or selling them We've kept our major mills up to date

An even bigger plus in Union Cam future is in the maturing of its long-te program to put its 1.7 million acres timberland on a sustained-yield ba That program was mounted and brou to fruition by Calder's right-hand m Peter McLaughlin, president and pu tive successor when Calder gets arou to retiring. Union Camp began putti its woodlands under the plantation s tem years ago, planting and harvesti them as methodically as you would a other crop. "These plantations mature about 25 years," McLaughlin sa "They produce two or three times much fiber per acre as natural stands, we've got this surge coming. When th mature we could get 70% to 75% of c papermill pinewood requirements fr our own lands, versus less than a th today."

How big a plus that will be ev McLaughlin hesitates to guess. Uni Camp's wood costs, he says, run arou $60 a ton in the open market, as agai a linerboard price of $235 a ton. By usi its own wood, Union Camp could redu that wood cost by perhaps $20 a t

There will be other advantages. "One of the delights of managing woodlands," McLaughlin says, "is you do have choices as to how you market the trees and the timing of the cut."

"We have an option to start cutting almost any time," says Calder. "The question is, Should you let them go to 30 years? That goes back to what your guess is on the future value of the plywood and lumber that we sell—products that use more mature trees—and what the computer says about shortening the cycle, the time value of money, cutting down and planting again right now.

"There's one other factor we probably ought to admit," Calder goes on. "When you cut will depend in part on how bad you need the earnings. It's one part of our operation you can control."

This year Union Camp won't need to cut trees faster to keep earnings up. Quite apart from the booming demand for most of its major products, Union Camp's earnings will gain perhaps 40 cents a share simply from the absence of a nonrecurring charge of 19 cents a share last year and a nonrecurring energy tax credit of 21 cents a share this year. "We think this year has got to be good," Calder says, "and so have the next three or four years. It takes so long to get new capacity on stream we don't see how the current upsurge can prove to be any flash in the pan." Wall Street guesses of 1979 results range from $5.50 a share to $6.20.

With the Montgomery mill nearing completion, Calder and McLaughlin have begun to look for new opportunities to expand. "We've got to look at bleached paper," McLaughlin says, "because that's been an awfully good business for us, and though we just added 15% plus to capacity—spent $100 million—in bleached paper, we're about at the time where we've got to make a major increase in that business.

"We've got our long-term debt down to the point where some of the analysts say, 'You guys got no imagination on how to spend money.' Our debt is now 18% to 19% of our total capital. But we're not going to increase our leverage just for the sake of doing it." The timing will have to be right. Exactly right.

For all these reasons, Union Camp currently sells at ten times last year's earnings while the typical paper stock sells at only 8. Even in this market, there's a premium on good management. ■

Who would believe Kennecott Copper has much of a future? But spend a few hours with Tom Barrow, and you begin to believe.

A man who knows where he's going

By James Cook

A YEAR AGO, FORBES described the proxy fight for control of ailing Kennecott Copper Corp. as a battle of lightweights, between on the one hand Chairman T. Roland Berner, a second-rate conglomerator who runs Curtiss-Wright Corp., and on the other hand the third-rate management team that had run the once-proud Kennecott into the ground.

That sad saga may have a happy ending. Chairman Frank R. Milliken, Kennecott's old boss, retired earlier than planned and Curtiss-Wright's Berner, with less than 10% of the stock, has settled for a two-year truce and a couple of seats on the board.

With the two lightweights out of the way, Kennecott now has a heavyweight boss. He's Thomas D. Barrow, a big snowy-haired Texas geologist who left a senior vice presidency at Exxon Corp. to become Kennecott's chief executive last December. Now 54, Barrow was responsible for steering Exxon into what were, for it, the new fields of uranium, lead, zinc and copper. As a token of good faith, Barrow recently laid out more than $750,000 of his own money to buy 38,000 Kennecott shares, making him the biggest single stockholder.

Barrow, a multimillionaire, does not personally need the $365,000 base salary Kennecott is paying him. He would not have taken the job if he did not have confidence in the future of copper.

"I recognize the industry is cyclical," he says, "but within those cycles there are times when you can do something pretty good and this looks like one of them. Short term, there are some fundamentals—the level of demand, the availability of new supply—that make us think the price of copper will stay high for at least three or four years."

Last November when Barrow finally made up his mind to take over Kennecott's chief executive spot, the price of copper was still a mere 68 cents a pound. Today it's around 98 cents a pound and could easily go higher, Barrow says.

To put this price rise in perspective: In a typical year Kennecott produces roughly 800 million pounds of copper; so the recent price gain could mean as much as $240 million this year—$7.25 per Kennecott share. However, only a small part of it will come down to the bottom line. The fact is that at last year's prices Kennecott's mining operations were deep in the red, probably to the tune of $50 million or more. Offsetting that was the $25 million Kennecott earned from liquidating inventories of refined gold and silver, produced as a by-product of copper, and the $31 million it had earned from the Carborundum Co. which it had bought in the last days of the regime.

When the books were closed for the year, Kennecott showed a profit of $5 million, 15 cents a share. Not much to show for nearly $2 billion in sales and a book value of $41 a share.

Although Carborundum kept Kennecott in the black last year it never made sense—either as a corporate fit or in terms of price. As part of the two-year truce Barrow worked out with Curtiss-Wright late last year, Kennecott set up a committee to study the "divestiture of Carborundum and distribution of proceeds to Kennecott's shareholders as well as any alternative . . . which might provide for the repurchase of shares from, or distribution of dividends to, Kennecott's shareholders." What the committee will have to decide is not simply whether Carborundum *should* be sold, but whether it *can* be sold—for anything like the $572 million Kennecott paid for it.

Barrow has a pretty clear idea of what he thinks Kennecott's emphasis ought to be. "The basic asset Kennecott has," he says flatly, "is its copper properties"—the largest copper reserve in the U.S., 25% of total U.S. copper production, and three of the lowest-cost copper mines in the U.S.

The upsurge in copper prices over the past three months has, of course, transformed Kennecott's prospects overnight. Every 1 cent-a-pound increase in copper prices adds a theoretical $8 million to Kennecott's pretax earnings, and though bad weather and inflation will certainly

reduce that somewhat this year, Barrow nonetheless concedes that Kennecott ought to be able to hold onto a substantial portion of it. "Let's say," he says, "there's some reason to think we might get $3 million or $4 million *after taxes* for each cent-a-pound increase in price." Chances are Barrow is being conservative, but with copper prices up almost 35 cents over Kennecott's 63 cents-a-pound 1978 average, even that amounts to between $3 and $4.25 a Kennecott share, as much as $140 million altogether.

With profits of that magnitude in prospect, Barrow no longer expects Kennecott to have any difficulty financing the capital spending program he's come to see as essential for rebuilding the company. Barrow is confident that Kennecott can become the U.S.' lowest-cost producer and boost its earnings to between $12 and $15 a share by the mid-Eighties. That's a goal, Barrow says, not a prediction. "But I personally believe that we can and will attain it."

During the period when Kennecott's board was attempting to diversify, first through the acquisition of Peabody Coal Co. and then, when the FTC forced Kennecott to divest itself of that, through the acquisition of Carborundum, Kennecott's copper mining properties were starved for lack of capital. Peabody sucked up capital like a sponge, and what capital the mining division got went mainly into pollution control projects that were essential if Kennecott was to stay in business, but that yielded little or no financial return. With enough capital, Barrow believes, Kennecott might have been able to cut its costs to a level where it could go on making money even when prices were low—as Phelps Dodge did.

"We've seen some things we can do," he says, "to get the company in a position where it would be the low-cost operator, and can be profitable through bad times as well as good. We expect to make very good returns in good times, a little less than adequate returns in bad times, but on average, over a period of time, satisfactory returns."

Barrow talks about modernizing the concentrator at Kennecott's Utah division, spending $15 million to rework the tailings at its mothballed mine at Ruth, Nev. and laying out $300 million to modernize its Chino, N.M. operation, once the U.S.' lowest-cost copper producer. Barrow scoffs at those who deplore any further investment in copper. The Chino project, he says, will pay for itself inside of three years, the Nevada project inside of nine months. "We will become the lowest-cost company in the U.S. and among the lowest-cost producers in the world." When old management talked like that, people scoffed. When Barrow talks, you can't help but believe.

Barrow does not concede that Carborundum is for sale but he displays little enthusiasm for retaining it. It yielded Kennecott a mere $31 million last year, or 5.4% on its $572 million investment. Barrow concedes that Carborundum was a decent enough acquisition if you were determined to diversify out of copper, as Kennecott's board was for a decade. "If you're going to set that as a corporate objective," Barrow says, "Carborundum fits. It's been a fairly successful mediu size company. It had a good man—E Wendell—and a good track record."

But Barrow goes on: "In a well-r company, you constantly sort throu your businesses, add some and take so away. That's essentially how Bill We dell ran Carborundum, added and su tracted, added and subtracted, and tha how Carborundum achieved its grow pattern. I think it makes sense for company to do enough self-analyzing determine what are its strengths a what businesses does it have a compe tive advantage over somebody else For Kennecott to go into electroni would be a little foolhardy."

But when the talk turns to mining y can see where Barrow's heart is a where Kennecott's future lies under h direction—in mining, of course, but n just in copper. Kennecott already has prospering titanium operation in Queb and a thriving lead-zinc operation Missouri which is currently increasi its capacity by a third. It is also on t verge of launching a joint silver-copp mine in Montana in partnership wi Asarco, and it is nearing the time decide whether to put its North Caroli phosphate properties into production.

"Perhaps because I came out of a ge logical and exploration background, I n urally look for other metals that are akin copper but maybe work on different c cles," Barrow says. "Using the knowhc in the company to diversify through broad stream of minerals—I think tha clearly the direction to take."

Barrow concedes a commitment to commodity as vital and volatile as co per has its risks. In the early Seventi government price controls deprived t industry of the high returns of its la cyclical peak, but Barrow thinks th that is far less likely now that Kenn cott has abandoned the old produce price system in favor of one based the New York Commodity Exchan prices. Competitors have seen this as bid to recover its lost market share, a it certainly did enable Kennecott to i crease its market share from 13% 18% last year. But Barrow believes t principal advantage of such a system it undermines any government effort control Kennecott prices. Says Barro "We say, 'We don't set the price copper; the market sets the price copper.'

"We're not just in this for the ri because times are good," Barrow co cludes. "Our objective is to improve o position while we take the ride up." skeptic would say that Barrow w lucky—no sooner did he move into t executive suite than the price of copp started going up. But there is more to than that. Kennecott has had luck breaks in the past and has blown ther This time things could be different. ■

Kennecott Copper Chairman Thomas D. Barrow

Acquisitions notwithstanding, its basic strength was still in copper.

Harris technology on the job

Harris satellite communication system terminal in Ibadan, Nigeria

In communications, Harris covers a broad spectrum. With complete satellite communication systems, AM/FM radio and TV broadcast equipment, long and short-range two-way radios.

For developing nations, Harris satellite communication systems provide a quick and cost effective way to establish or expand nationwide telephone, TV, radio and other essential communication services.

Harris technology works worldwide — in communication equipment, information systems, government systems, semiconductors and printing equipment. For information, write: Harris Corporation, Melbourne, Florida 32919.

HARRIS

COMMUNICATION AND INFORMATION PROCESSING

MEMO FROM
MARSH & McLENNAN

Our clients include some of the country's largest companies—and many a lot smaller. And they all made the right move.

True—Marsh & McLennan's client list includes many giant corporations whose annual revenues reach hundreds of millions of dollars—and beyond.

But what many people don't always realize is that we also serve hundreds of other business organizations nowhere near that size.

The point is simply this: at Marsh & McLennan, companies of all sizes are equally well served. Which is as it should be, because all busi-

nesses, regardless of size, are exposed to many types of risk.

- A product could fail and injure a consumer, bringing a costly lawsuit.
- A warehouse fire could wipe out an entire inventory in minutes.
- There's even the risk of hidden loss caused by employees—"white collar" theft.

No matter your size, you deserve the best.

That's why so many companies come to us. Marsh & McLennan is the world's leading insurance broker. We've been solving insurance problems for companies of every size and type for over 100 years.

Some companies may hesitate to talk with us because they think they don't need a broker with the vast resources, skills, and worldwide capabilities that come with our size. We disagree. Very often, it's only the full-service insurance broker with a staff of experts, like Marsh & McLennan, that can get your insurance problems solved. Furthermore, in most cases, we will improve the cost and the effectiveness of your coverage program.

Just take a look at a few cases where our resources were brought into play for less-than-giant clients.

How we can help.

- Marsh & McLennan helped a precision metal-stamping company reduce its workers' compensation premiums by refiling and securing a classification that more accurately reflected their exposure.
- Marsh & McLennan's on-site flood survey and recommendations helped a textile manufacturer obtain flood insurance, even though his plant had previously sustained a serious uninsured flood loss.
- A Marsh & McLennan fire engineering survey developed low-cost protective recommendations that helped a chemical manufacturer obtain the full and adequate fire insurance he hadn't been able to get before.

In short, Marsh & McLennan clients get the best of both worlds. They receive personal attention, as well as the vast depth of experience and services from experts in over 80 offices across the country.

As you grow, we grow with you.

But almost as important as what we can do for you right now is what we can keep on doing for you as you grow. As your insurance needs expand, we're right there with the skills and service, depth and diversity—plus knowledge of those areas which may be unfamiliar to you.

This is especially important if you're opening a new facility in another state or launching a new product. New ideas, fresh perspectives, innovative answers to thorny insurance problems—these are the assets that only a major broker like Marsh & McLennan can provide.

Our policy is to see to it that each and every one of our clients is equally well served. Both those on the *Fortune 500* list and those far from it. Because from our point of view, *every* client is equally important.

To learn more about the ways we can help you, write to: Mr. Brian O'Rourke, Vice Pres., Marsh & McLennan, Incorporated, Dept. 800- FB, 1221 Avenue of the Americas, New York, New York 10020. Or contact our office nearest you, listed in the White Pages.

Our insurance experts apply the same skills to all our clients, no matter their size.

Marsh & McLennan

© 1979, Marsh & McLennan, Incorporated

Wolfschmidt Vodka.
The spirit of the Czar lives on.

It was the time of "War and Peace." "The Nutcracker Suite." Of Tolstoy and Dostoevsky.

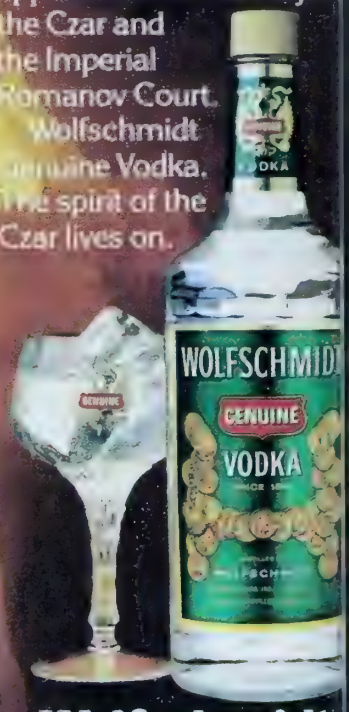
Yet in this age when legends lived, the Czar stood like a giant among men.

He could bend an iron bar on his bare knee. Crush a silver ruble with his fist. He had a thirst for life like no other man alive.

And his drink was the toast of St. Petersburg. Genuine Vodka.

Life has changed since the days of the Czar. Yet, Wolfschmidt Genuine Vodka is still made here to the same supreme standards which elevated it to special appointment to his Majesty the Czar and the Imperial Romanov Court.

Wolfschmidt Genuine Vodka. The spirit of the Czar lives on.



Wolfschmidt Genuine Vodka

80 and 100 proof • Wolfschmidt

outh Korea's President Park Chung Hee
is no coincidence that the economy began to take off the year he seized power.

Twenty-five years ago South Korea was a "basket case" in dire need of U.S. aid. By suspending politics and manipulating an ancient culture, President Park is creating an economic miracle.

How South Korea surprised the world

By Norman Pearlstine

human life, economics precedes politics culture. —Park Chung Hee

WHEN THE PRICE OF OIL was abruptly icked up from $3 a barrel to almost $12 in 973, the U.S. responded by exporting ollars to pay the bill, the Japanese by xporting TV sets and automobiles and the epublic of Korea by exporting 100,000 uman beings to build cities and port cilities in the Middle East. By such ootstrap methods did this poor but developing economy overcome the oil shock and, while other developing economies stagnated or lost ground, resume an economic growth rate that has replaced Japan's as the wonder of the world.

The hows and whys of the Korean miracle—and the lessons to be drawn from it—may be the least covered major economic story of the decade.

It was only three years ago that the prestigious Brookings Institution published an exhaustive study, titled *Asia's New Giant*, that explained how Japan had come from nowhere to rival America's economic prowess. Meantime, Asia was quietly spawning a second industrial power—South Korea. Brookings has not gotten to South Korea yet, but it probably will. Within a dozen years this formerly dirt-poor nation expects to have an economy as large as France's is today. That would make it one of the world's ten largest economies. South Korea is already producing a substantial share of the world's textiles, shoes and electronic equipment. It will soon challenge America, Japan and Europe in basic industries like steel, autos and shipbuilding.

South Korea is not the only developing

country that is banging on the developed world's doors. Taiwan, Hong Kong and Singapore in Asia, Mexico and Brazil in Latin America, and Spain and Yugoslavia in Europe are also industrializing quickly. But nowhere have goals been more ambitious nor the achievement more substantial than in South Korea. A combination of strong leadership, good planning and hard work have overcome an absence of natural resources to keep real gross national product growing at about 10% a year since 1961, while manufacturing has risen about 17% a year. After World War II, South Korea, a onetime colony of Japan, was among the world's poorest places. But with growth rates like these, it could not stay poor forever. Its per capita income, which at $82 was roughly the same as mainland China's in 1961, rose to $1,242 last year, at least three times China's level. Total exports, which have risen an incredible 40% a year since 1961, reached $12.7 billion last year. Significantly, one-third of them went to the U.S., with which South Korea had a $1 billion trade surplus. South Korea "is perhaps the best example in the world of how trade can propel a nation toward prosperity," says Bank of America President A.W. (Tom) Clausen.

Signs of progress are everywhere. In Seoul, the bustling capital, pneumatic drills, earth movers and pile drivers combine to create a constant din. The city's 8 million citizens consider a 60-hour work week routine, and move at a pace that makes Tokyo's legendary workaholics seem in slow motion. In rural towns metal roofs and television antennas have replaced the scenic but leaky thatched roofs of a decade ago. New factory cities have sprung up—like Ulsan, where a new auto plant operates around the clock trying to reduce a several-month domestic backlog for shiny Korean automobiles.

All this is taking place within a system that sets its goals from the top but encourages private enterprise to carry them out. If it is not capitalism as we know it, neither does it bear any resemblance to socialism. Whatever it is, the Korean system works and is already generating business enterprises of global proportions and global ambitions.

Kang Jin-Ku, president of the giant Samsung group's electronics subsidiary that makes television sets and other consumer products, says its 1978 sales of $300 million include exports of $100 million. He is one of many Korean businessmen predicting sales and export increases of at least 50% in 1979. Does he worry about competition from Japan, Taiwan or elsewhere? Not nearly so much as he fears "the fierce competition from other Korean companies." Confirming South Korea's emergence as an industrial power, record numbers of foreign bankers have been streaming in—about 40 foreign banks have branches or representative offices, triple the number three year ago—offering money at bargain rates undreamed of in the early 1970s. Economic planners are trying to *restrict* 1979 real growth to 9% (to help slow inflation), but privately they concede it is likely to grow by about 11%.

Seoul, South Korea's capital city

Pneumatic drills, earth movers and pile drivers combine to create a consta

Does the typical South Korean have an easy or affluent life? Not yet—perhaps he *never* will. Kim Yung Gee, a 27-year-old auto assembler at the Hyundai Motor Co. in Ulsan, 200 miles south of Seoul, heads for the factory gate at 7 a.m., leaving his wife and two small children behind in a cramped, company-subsidized two-room apartment. Forty minutes l er he is at his post on the assembly lir ready to endure noise, dust and fum that would keep an OSHA inspector bu writing reports for a month. Kim wor 10 to 12 hours a day, six and sometim seven days a week. In return, he mak about $3,500 a year. That's above av age for Korean workers but much le than auto workers around the world ty cally make. Kim knows that compar with most citizens of the Third Worl he is fairly well off. Considering the ec nomic depths from which the count emerged, he is fortunate indeed.

n while 8 million citizens move at a pace that makes Tokyo's legendary workaholics seem to be in slow motion.

But what has come so far is mere arm-up compared with what South Ko-a is planning. The blunt-talking Kore-ns make no secret of their goals. Al-ough the rate of export growth will fall elow 20% a year as the economy ex-nds, total shipments are expected to ach $50 billion a year by 1986. Unlike e Japanese, who chalk up massive ade surpluses, the Koreans say overall ade will remain roughly in balance. outh Korea has already begun to tear wn some of its import barriers and has edged itself to achieve full-scale import beralization much faster than Japan has. In 1978, for example, the country imported 70,000 tons of beef—as much as its much larger and richer neighbor Japan did in 1977. "Imports keep our domestic companies competitive, are anti-inflationary, and help give us the capital goods we need to expand our own productive capacity," says Park Pil-soo, assistant minister for trade and commerce in South Korea's Ministry of Commerce and Industry. In 1986 South Korea's textile and electronics industries will still be important, accounting for exports of $10 billion and $9 billion a year, respectively. But machinery exports will also total $10 billion by 1986 as the nation begins to move toward more sophisticated, skill-intensive manufactured goods. Auto production, for example, which totaled only 200,000 units last year, is set to increase tenfold by then, well above Italy's present production, with more than half the new cars being exported. Many of these high-level exports will come from Changwon, a new city on Korea's southern coast, where more than 100 machinery factories will rise between now and 1981.

With only 37 million people, South Korea will never be as big or as varied an

economic power as Japan, which has three times its population. Still, by continuing to grow at 10% a year, it expects GNP to rise to $385 billion in current prices by 1991 and two-way trade to total $280 billion.

Are these goals realistic? It is hard to find Korean government officials or businessmen who think they won't be met. "The targets for 1986 and beyond are very good," says Chung In Yung, chairman of Hyundai International Inc., an affiliate of the Hyundai group, which is finishing construction of a $500 million machinery plant in Changwon. Chung says his own company, which has technical tie-ups with General Electric, will have sales of $5 billion a year by 1986. Does that seem absurdly high for a company that expects sales of just $700 million this year? Look again. Two years ago annual sales were only $100 million.

All that is pretty impressive for a country that only 25 years ago was reeling from the devastation of the Korean War, in which almost 10% of its population (and 34,000 Americans) were killed. Despite massive infusions of U.S. aid, the economy was going nowhere under then-president Syngman Rhee. People were so poor they ate the bark off trees to keep from starving. In Washington it was fashionable to think of South Korea as a "basket case that was destined to repose indefinitely on the U.S.' doorstep," recalls Kim Mahn Je, president of the Korea Development Institute, the nation's largest think tank.

It is no coincidence that South Korea first began to take off in 1961, the year a young general named Park Chung Hee seized power in a military coup. Many Americans now regard Park as a stone-face Oriental dictator whose primary interests are repression of his people and bribery of American congressmen. That image is as hard to alter as it is grossly lopsided, and it ignores Park's firm commitment to growth and his masterful management of the Korean economy. Without his leadership, it is extremely unlikely that South Korea's economic miracle could have happened.

Park says that in 1961 "I felt as if I had been given a pilfered household or bankrupt firm to manage." There was little in Korea's culture or its 4,300-year history to suggest its people would accept rapid industrialization. Korea was a Japanese colony from 1910 to 1945, and for three years after World War II what is now South Korea was controlled by U.S. occupation forces. Because of gross mismanagement industrial production fell sharply during the occupation, and it all but ceased from 1950 until the end of the Korean War in 1953. After the war Syngman Rhee was preoccupied with domestic politics and stressed defense at the expense of economic development. His rabid anti-Japanese feelings limited ties with Korea's most logical trade partner, and his obsession with reunification of North and South Korea got in the way of industrial growth. As for American aid, it was often channeled to Rhee's cronies and, according to President Park, it "was extremely tight-fisted toward the productive facilities that we desired and generous with regard to consumer goods we did not require."

It wasn't that Park, a soldier, was less aware than Rhee of the menace from the north. But in contrast to his predecessor, Park reasoned that a strong economy is critical to a strong defense—that soldiers and guns were useless without steel and machinery. Recognizing that Korea's Confucian traditions revere government service, Park relied heavily on the bureaucracy to implement his economic policies. In July 1961, little more than a month after taking power, Park centralized planning activities in a newly established Economic Planning Board and, to show the importance attached to planning, made its head the nation's Deputy Prime Minister. The EPB head still meets formally with the government's other economic ministers and with the foreign minister at least twice a week to discuss economic policies, and informally with the same men on Saturday mornings at an "Economic Ministers' Roundtable." Disputes among the ministers may be referred to Park himself or to economic officials within the Blue House, Park's executive office building. Park is not the kind of ruler who relegates economic decisions to subordinates.

Hyundai head Chung Ju Yung and wife
Hard-charger runs a $4 billion empire.

Leadership alone, of course, is not enough. Although the economy was a shambles when Park came to power, South Korea had already developed many conditions that made fast growth possible, given proper leadership. Few Koreans had any power during the prewar colonial period, but many of them benefited from watching the Japanese, s
Sakong Il, the Korea Development In
tute's research director. "Given
chance, they were ready to run their o
businesses." In addition, the Kor
War's destruction, together with th
ough land reforms imposed in the ye
before it, did much to eliminate the
tist social structure that has hobbled
many other countries' development
forts. Most important, Park found hi
self in charge of a well-disciplined, lit
ate people ready to go to work. (Edu
tion has always been important. A cr
program in place since the end of
Korean War has pushed the adult litera
rate above 90%, making it one of
highest in the developing world.)

Certain attitudes got in the way. I
example, merchants had little status
traditional Confucian society. Park s
ceeded in elevating entrepreneurs—es
cially entrepreneurs who export—
something close to national hero
Once a month he personally presi
over an "Export Promotion Meeting"
which top government officials discu
economic policies and problems with t
business community. At a lunch th
follows, businessmen are often able
remove bureaucratic bottlenec
through direct discussions with t
President. Contrast this with the situ
tion in so many of the less-develop
countries, where businessmen are vi
fied and the bureaucracy permitted
harass them at every turn.

Consider the fanfare and ceremo
surrounding Export Day, an annual eve
that has taken on huge importance
Korean society. As the Seoul City Ba
plays the "Export Promotion Son
thousands of businessmen and worke
fill an auditorium draped with sloga
proclaiming "Nation-Building Throu
Export" and "Think Exports First." F
lowing an elaborate ceremony, the
tion's most successful exporters a
workers in export industries are award
"industrial-merit medals" and gold, s
ver or bronze pagoda-like trophies call
"Export Towers." Traditionally, Pre
dent Park bestows the awards himse
Competition for the towers is fier
with companies juggling their books
much as possible to increase the amou
exported. Last year's winner of the la
est trophy: Hyundai Heavy Industri
which exported goods worth $738 m
lion in the 12 months before Export Da

The nationalistic South Koreans br
tle whenever their economic strategi
are described as mere copies of Japan
(Although the two nations have exte
sive trade ties, age-old cultural enmiti
continue. The Japanese look down on t
Koreans as country hicks or uncivili
barbarians, and the Koreans like nothi
better than one-upping the Japanes
Nonetheless, it is clear that many Sou
Korean economic policies and practic

have been imported directly from Japan. Korea's Ministry of Commerce and Industry is patterned closely after Japan's Ministry of International Trade and Industry. Its recently established General Trading Companies (GTCs) are deliberate copies of Japan's giant trading houses like Mitsui and Mitsubishi. Its five-year plans, heavily emphasizing exports of manufactured goods, bear many similarities to Japan's highly successful "income doubling" growth plan of the 1960s.

But it would be a mistake to carry the analogy too far. It is not for nothing that the exuberant Koreans are sometimes called "the Irish of the Orient." They are very different indeed from the diffident Japanese. And often similar forms can mask distinctly different substance. The term "Japan Inc.," for example, connotes a government-business partnership in which policy reflects consensus between equals. But "Korea Inc." means something very different. In South Korea the government sets the policies and businessmen follow. In this way, then, South Korea is an unusual blend of free enterprise and state direction.

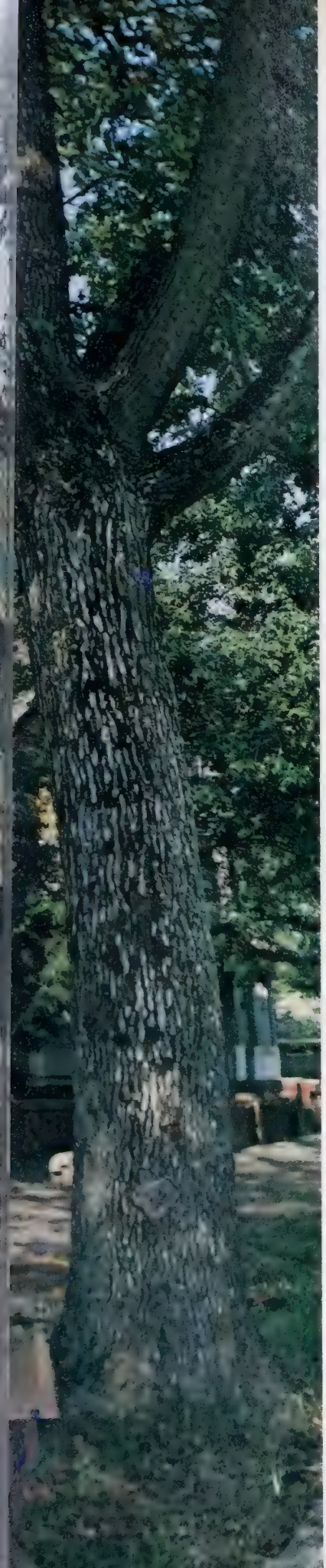
The government's strongest weapon is its control of credit. Whereas large Japanese industrial groups often have their own banks and get funds from them, Park confiscated all privately held banks soon after taking power. Although Park has vowed that he'll keep them out of the hands of Korea's big industrial groups—aides say he thinks Japan's industrial groups are too powerful for that country's own good—top economic officials say that most of the country's commercial banks will make share offerings to the public in the early 1980s. Control, however, is likely to remain in the government's hands for years to come. The government can—and has—put companies out of business by shutting off their credit. It can also keep companies out of some fields or force them into others through its control of funds for expansion.

Inevitably, such centralized control invites abuses. South Korea is cleaner today than it was a decade or two ago, and there is less corruption there than in most developing nations. Nonetheless, many businessmen tell of forced payments to government officials. One common complaint: At year-end, major companies are expected to donate a portion of their profits to the Blue House. "This is a hidden tax," fumes one Korean businessman. "Our public servants are really public masters." This businessman believes the money is used for defense or other worthwhile purposes and that it doesn't go into President Park's pockets, but he still resents the assessment.

Other businessmen complain about government favoritism in awarding major projects. "It is more important to be a good lobbyist than a good manager," says one official in the Samsung group, whose

South Korean workers assembling new automobiles
Two million units by 1986, more than half for export.

phelps dodge
PHELPS DODGE
PD-X
250 FT.



In Savannah, they treasure the past and build for the future: Phelps Dodge copper.

Savannah, Georgia has some ambitious plans—to restore the homes of a 100-year-old inner city neighborhood without displacing the residents. It's an example for the entire country.

So is the choice in wiring material: Phelps Dodge copper building wire.

Copper is unbeatable as an electrical conductor. Easy to work, tough, long-lasting and, above all, safe.

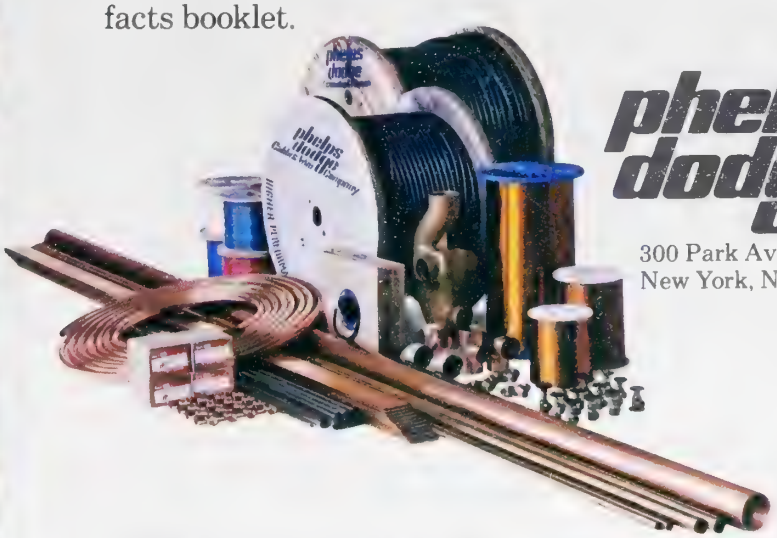
With these timeless qualities, it's not surprising copper is the first choice for everything from telephone cable to magnet wire to plumbing tube.

Helping America meet its copper needs, Phelps Dodge mines an average of 600 million pounds of this versatile metal a year—nearly 20% of all U.S. production. And processes about a billion pounds into hundreds of useful products.

A supplier of copper for nearly 150 years, Phelps Dodge looks forward to the next 150.

- Virtually self-sufficient in copper, America needn't depend on foreign suppliers.
- Copper is easily recycled—and its salvage value has more than doubled in the last 25 years.
- Copper conserves energy, requiring about half as much as aluminum to produce, pound for pound.

If you, too, have ambitious plans, you owe it to yourself to find out more about copper. Write for our free facts booklet.



phelps dodge

300 Park Avenue,
New York, N.Y. 10022

Phelps Dodge: the time-tested name in copper.

firm has often lost out to other big groups in bidding for government projects. In candid moments some government officials acknowledge that close ties with President Park can sometimes swing a deal. But they insist no company is ever awarded a major project unless the government is convinced it can do the job. That, they say, is what distinguishes Park from Rhee, his predecessor, and from many heads of developing countries.

Some of President Park's closest economic advisers say that he is more comfortable dealing with bureaucrats and military men than with entrepreneurs. They say he spends as much time as he does with businessmen because he realizes that Korea's continued growth depends upon them. Those businessmen he is close to tend to share his rural, poor background and to be hard-charging types willing to take risks for their companies and their country. No one more closely fits that description than Chung Ju Yung, who heads the $4 billion (sales) Hyundai group of companies. Like President Park, Chung came from a poor farm family *(see* FORBES, *May 1, 1978)*. When Chung was 18 he left home and walked to Seoul, where he sought his fortune. After holding a series of menial jobs, he saved and borrowed enough to establish an auto repair and trucking company, and in 1947 he founded the Hyundai Construction Co. In the early 1970s he decided to build South Korea's first big shipyard after the government indicated it wanted to become a shipbuilding power. Chung says he almost gave up on the yard when he had trouble lining up needed foreign financing. But he redoubled his efforts and finally got the funds after Park urged him on, saying Chung "shouldn't only try the easy things."

FORBES recently caught up with Chung at his sprawling Hyundai shipyard, which now employs more than 32,000 men building anything that floats—from cargo ships to tankers to semisubmersible drillings rigs. Although it was 10 p.m. Sunday and Chung had been out for more than 16 hours inspecting every corner of the yard, the 63-year-old chairman was wide awake and ready to talk. Nibbling on an occasional peanut but passing up the abalone, shrimp and other delicacies placed before him, Chung brushed aside any suggestion that South Korea might not reach its ambitious export goals for the years to come. Like many Koreans, however, he expressed bitterness about his country's mounting trade deficit with Japan, which rose to $3.3 billion last year. "We should be exporting as much to Japan as we import," he complained. But the Japanese discriminate against Korean products, he added.

Japanese restrictions, while serious, are only one of the problems the South Koreans face in trying to meet their ambitious targets. The South Koreans say they are shooting for only 2% of the world's exports by 1986. But that is almost twice their present level, and in certain industries, such as textiles and shoes, their exports account for a far larger percentage of world trade. As a result, the U.S. and other industrialized nations have already imposed strict protectionist measures against 43 Korean export items, including television sets, textiles and shoes.

Agriculture gives way to heavy industry
Historically, Korea seemed a poor bet for rapid industrialization.

The South Koreans have been trying to diversify their export markets, selling more to the developing world, and they hope that the heavy industry products they are gearing up to produce won't be so susceptible to protectionism. Hyundai Motor, for example, now sells autos in more than 40 countries, but not in the U.S., Japan or most of Europe. The trouble is that many developing countries have limited foreign exchange, making it hard for them to import goods in massive quantities. The Japanese, too, have dreamed of selling more products to the less-developed world and depending less on the U.S. and European markets, but progress has been slow.

So, hedging their bets, the South Koreans are trying to upgrade the quality of their exports, since most protectionist measures restrict volume but not value or price. Lee Dong Chan, chairman of the Kolon group, a major textile firm, says, for example, that by increasing the quality and the price of his goods he can boost dollar sales yearly by 25% through 1986 with only a 10% annual increase in volume. By doing so, he says, Kolon and other Korean textilemakers can keep their goods a cut above the low-cost stuff beginning to pour out of the developing countries in Southeast Asia.

Inflation and higher costs in South Korea could ultimately cause the country's manufacturers as many problems as protectionism might. Since 1960, South Korea's inflation has been at a rate of about 17% a year. South Korean wages have increased by about 30% a year over the past four years. But Korean wages are still well below those of Japan and other developed nations. College graduates with an engineering degree can make as much as $7,000 a year with the large Korean companies, but apprentices in textile and electronics factories still make less than 70 cents an hour, including housing and other fringe benefits. Besides, higher wages have one important benefit: They help create the domestic demand needed to get some new industries, such as autos, off the ground.

Although tensions between North and South Korea remain high, most foreign businessmen investing in the South don't seem very concerned about the possibility of renewed fighting between the two countries. If anything, they say that the recent normalization of relations between the U.S. and China, which is North Korea's most important ally, should lead to an improvement in relations between the two Koreas. What does worry foreign investors and thoughtful South Koreans, however, is President Park's failure to designate a likely successor or to establish the political processes necessary to assure an orderly transition should he die or leave office. The 61-year-old president is in good health and gives no indication that he plans to leave office anytime soon. But should he die unexpectedly, South Korea could be faced with a period of anarchy or uncertainty which, even if brief, could lift the risk of North Korean intervention in South Korean affairs.

If a single word could be used to describe the South Korean economic system as presided over by Park, it would be—pragmatic. Here implementation

ven more important than planning. Pri-
ate enterprise is desirable when it
orks, but when it doesn't, the govern-
ent has no qualms about taking over.

"It is important to understand that the
orean Miracle isn't a triumph of *laissez-
aire* but results from a pragmatic, non-
eological mixture of market and non-
arket forces," says KDI's Sakong Il,
ho, along with Boston University Pro-
ssor Leroy P. Jones, has just completed
book on business-government relations
South Korea. (That book, which ex-
lains the development of South Korea's
ntrepreneurs, should be of special inter-
st to other developing countries inter-
sted in spurring economic growth.) As
outh Korea's economy expands, many
usinessmen—including supporters of
resident Park, such as Hyundai's Chung
Yung—have begun to call for less bu-
eaucratic control and for more reliance
n the free market. South Korea's new
eputy Prime Minister and Economic
lanning Board head, Shin Hyon-hwack,
eems to support such moves, but it will
e difficult for the bureaucracy to give up
he power it has enjoyed for so long.
resident Park, however, has so far
hown an almost uncanny ability to
now when to lay hands on the economy
nd when to lay off, and there are some
ndications that he is beginning to favor
ess government control and more power
or the business community.

There is probably no country in the
orld that can react to an emergency as
ast as South Korea or is more willing to
orrect a mistake in planning once it is
ecognized. Typical was South Korea's
esponse to the 1973 oil crisis and the
974 world recession. Within three
nonths of the OPEC price hike, the gov-
rnment had announced a detailed plan
or fuel conservation. It subsequently
atched a comprehensive plan to get
nost of that money back by promoting
xports and construction activities in
he Mideast. It also increased foreign
orrowings sharply to cover an increase
n its trade deficit. As a result, real gross
ational product continued to grow at
% or more in 1974 and 1975. In 1976,
fter the recession ended, it grew at
4.2%, thanks largely to a 56% spurt in
xports.

"Our goal is unchangeable and will be
chieved by whatever means necessary,"
ows Park Chung Hee. Those words can
e heard from almost any head of a devel-
ping country these days. What distin-
guishes Park from the rest, however, is
he flinty pragmatism behind those
vords. That kind of determination
nakes South Korea a model for other
ess-developed countries, who prefer to
it around blaming their problems on
J.S. "imperialism," on multinational
ompany rapacity or on a lack of raw
naterials. It is also what makes South
Korea's future look so favorable. ■

"Capon puddenge, posset, mead—and a lift to London, too. Now that's the Club to join!"

British Airways Club Class™ was created especially for our Britain-bound full-fare economy business travellers. If you're one such, posset and mead aren't all we offer to raise your spirits.

There's separate check-in and boarding, a tranquilizing prospect for you who turn irked and restive in queues—lines, that is. And of course, a separate cabin. (That pampered feeling is beginning to take hold, I trust?)

Exclusive Elizabethan Service™ with special Elizabethan cuisine (superb meals olde English style). Complimentary cocktails, wines, and beers. *And* free movies and stereo. Perhaps I should find an excuse for a business trip myself.

If you find all this strangely appealing—as more and more people seem to—do join the Club. Call your Travel Agent, Transportation Department, or British Airways. Tell them Robert Morley put your name up for membership.

British airways

We'll take more care of you to Britain, Europe, the World.

The Temple of Heaven, Beijing

Where do you find the experience you need to trade with China?

Ask Chicago's Bank.

Whatever it takes financially to do business with the People's Republic of China, First Chicago is doing it.

Since January 1978, we've had a fully operative correspondent relationship with The Bank of China. First Chicago was the first U.S. owned bank to have one. And this relationship enables us to provide every banking service you need to trade with China.

During our first full year of experience, we negotiated hundreds of letters of credit ranging in size from ten thousand to tens of millions of dollars. For imports ranging from mineral ores to machine tools, from textiles to hand painted egg shells.

We've handled documentary currency collections for soft drinks and steer hides, tractors and tin plate, and countless other exports to China.

First Chicago has helped companies from all over America and the world get their message across to the Chinese. We've helped them contact the right agencies, locate markets and sources. We've assisted with negotiations and helped structure billion dollar proposals for our customers.

No other U.S. bank can provide this wealth of experience with China.

China is a land of opportunity for businesses of all sizes. To put First Chicago's worldwide financial force to work for you, phone Gregory Tallas, Vice President, at (312) 732-8513.

In America, or anywhere else in the world, ask Chicago's Bank.

You'll profit from our experience.

FIRST CHICAGO
The First National Bank of Chicago

Chicago • Atlanta • Baltimore • Boston • Cleveland • Houston • Kansas City • Los Angeles • New York • San Francisco

© 1979 The First National Bank of Chicago. Member F.D.I.C.

For years Tosco had nothing but bad luck and investors shunned it. Now it has more investor interest than management likes.

It's nice to be right

By Kathleen K. Wiegner

MURPHY'S LAW SAYS that if anything can go wrong, it will. For years Tosco Corp. was pure Murphy. Early into oil from shale, it spent over $70 million on shale research including demonstration plants, only to watch its hopes strangled in the mid-1970s by environmental constraints and government neglect. Tosco could ill afford the loss because, as a refiner with no production of its own, it was in the least profitable end of the oil business. Its profit margins last year were a tiny 1.5%, while some refiners make more than twice that, and it carries a debt load of $192 million, 66% of total capital.

So why is everyone at Tosco so smug these days? "On any Tuesday we run down the hall congratulating ourselves on having been right," quips Morton Winston, president and chief executive officer. For the moment, Winston's $1.2 billion company (after Ashland Oil, the largest independent refiner of gasoline in the U.S.) has indeed finally fallen upon good times. Murphy's Law in reverse.

While foreign oil supplies are being disrupted because of the Iranian crisis, Tosco's two major California refineries and one in Arkansas are sitting with about 95% of their crude supplies tied to domestic contracts, mostly from Alaska and California. "We have more crude under contract this year than we can refine," says Winston, smiling.

The demand for unleaded gas is soaring (35% of the market last year *vs.* only 5% in 1974) and Tosco's refineries are geared to making large quantities of the high-octane unleaded gas required by most new automobiles. As supplies of unleaded gas tighten and spot shortages begin to appear, Tosco's refineries are now running full out.

Last June the federal entitlements program was revised, easing a drag on Tosco's profitability that had caused a loss in the first quarter of last year.

Tosco President Morton Winston
More crude than he can refine.

As a result of this change and the surge in gasoline demand, Tosco's net jumped 43% in 1978 on a sales gain of only 9%. For the first quarter ending last month net should be around $10 million, compared with a $4.8 million loss in 1978's first quarter.

Little of this good fortune is attributable to just luck. "Some years ago Tosco reached three vital conclusions which have governed its development since then," says Winston, 48, a Washington lawyer before joining Tosco in 1964. "The whole thesis of our entry into refining was that there would be a shortage of refining capacity for the kinds of products our refineries produce. We bought plants that cost $500 to $900 a barrel of daily capacity that would cost $4,000 to $5,000 to replace today." Second, Tosco concentrated on developing a domestic supply of crude. "We could have cut that supply loose when we were being penalized by the entitlements program," says Winston, "but we felt it was our security." Events in Iran confirmed the dom of that.

Winston has been arguing for y that the loss of control by the U.S. jors over world supplies would lead t to begin regarding refining as an o ation that needed to make a decent p rather than simply as a means of get crude oil to market. (Refining mar have always lagged behind margins production, where returns on inv ment can run as high as 20% *vs.* 5% 10% for refining.) "We believed that fining margins would have to open," Winston. "We think that's happe now, more swiftly than we though would." Tosco's current numbers him out. For 1979 Tosco could poss triple last year's excellent showing earn well over $2 a share.

Even Tosco's pioneering in oil shal beginning to look good again, thank OPEC's most recent extortion. T 40% interest Tosco holds in 7,714 a of shale property in Colorado is on site of the nation's richest and most tensive shale reserve. Any immedi shale development is highly unlikely, there are as many as 600 million bar of recoverable oil in Tosco's shale, wh looks more economic every time so sheikh or dictator tightens the p screws. In fact, Winston claims that i no longer cost that is holding back sh but environmental constraints. wouldn't trust an investment in Colo do," says Winston bluntly, "with changing and inconsistent environm tal laws." If, however, Congress acts President Carter's new energy progra Tosco may yet reap the rewards of shale pioneering in Colorado. Wall Str is certainly interested. Tosco shar which sold around $5 only a few mon ago, recently hit 15—3.8 times book v ue and 18 times last year's earnings.

And not only Wall Street is impress Ashland Oil, flush with cash after liq dating some of its own oil properti cast covetous eyes on Tosco, and set o to buy 49% of Tosco's shares. A co recently approved an agreement un which Ashland would buy no more sto and would sell its holdings to Tosco, b Tosco has other potential suitors. Ap Oil Corp. owns approximately 9% of t stock. Winston recently tried to push antitakeover change but had to ba down when Apex, his biggest sing stockholder, objected.

Tosco remains a tempting target. Ev at today's high price, you could buy t whole company for about $300 million fairly cheap for $1.2 billion in refini revenues and a solid stake in shale. fact, any company that wanted to g into the energy business would fi Tosco attractive. To lose control just the moment of triumph for Winston a his associates—that would be the ul mate display of Murphy's Law! ■

Jack Bogardus, president, tells how A&A works from a client's point of view:

"If we're going to help clients protect current assets and safeguard future growth, we must be a full-fledged member of their financial teams."

"The business of managing corporate risks is in a state of constant change. Our response to this volatile environment is an ever-deepening commitment to act as extensions of our clients' financial departments. The challenge we face together is how best to ensure the client's business growth as emerging economic, technological, legislative and social forces come into play. To do this, we developed several highly sophisticated, computer-based techniques. Their applications are complex, but the result is simple: they help enhance the client's bottom line—now and in the future. And that's what we think our value as a team member is all about."

Working from a client's point of view is our way. From our top management to the men and women in over 110 cities here and overseas. That means working as allies, solving business problems together.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from a client's point of view, whether the corporation is large or small.

Alexander & Alexander
The Allies

For a glimpse of what might spring from energy decontrol, look what's happening in a corner of the natural gas market.

The deep-gas explosion

By James Flanigan

IN AUGUST 1977 a Chevron (Standard Oil of California) drilling crew northwest of Baton Rouge, La. was probing for gas in a deep well in what was once North America's continental shelf. At 21,346 feet they did not so much hit as gas hit them. It burst up, not through the drill pipe but through the steel casing around the pipe and out the hole at the incredible rate of 140 million cubic feet per day, enough to heat half of New Orleans in the dead of winter. Fortunately the gas did not ignite, so engineers were able to return to the rig, divert the gas flow and—ultimately—force the drilling mud to seal the casing four miles below the surface.

The strike was both good and bad news. The bad news was a $15 million writeoff of the exploratory well. The good news was the confirmation of a gas-bearing belt now known to stretch 200 miles across Louisiana called the Tuscaloosa Trend—so named because it was first identified geologically in Alabama. It is one of the hottest U.S. drilling areas today, not only for its unusually high success ratio (more than one producing well for every three wildcats drilled) and the size of the deposits found there by Chevron, Shell and Standard of Indiana's Amoco unit, as well as independents like Natomas, Central Louisiana Energy and Sabine Petroleum: It is also hot because the gas produced will bring—with government approval—the highest prices ever paid for natural gas in the U.S.

Leases in the Trend that once went for $12 an acre would bring $600 to $700 an acre today—if available. Shell is the largest leaseholder with over 500,000 acres; Chevron and Gulf each have some 300,000, Amoco 200,000. The Trend lies smack in the feeding area of the big pipelines to eastern markets. Thus, once gas is found, it converts quickly into cash flow: From two of its four deposits, Chevron now has 90 million cubic feet a day of production and some $70 million a year of revenues after only four years and $80 million of investment.

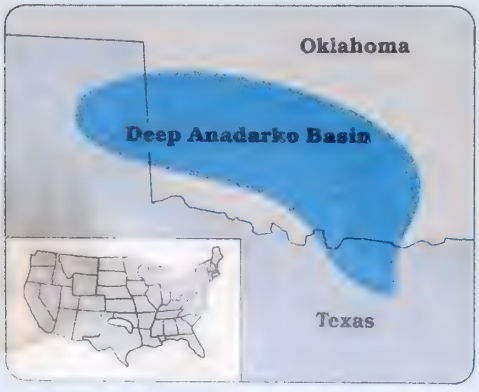
Though every square mile of Louisiana with the remotest promise of gas and oil has been explored countless times, the Tuscaloosa Trend is an energy frontier because of its depth. Almost all the 2.56 million gas and oil wells drilled so far in the U.S. have been to depths of 5,000 feet or less. But the Tuscaloosa, like western Oklahoma's Anadarko Basin or west Texas' Permian Basin, is a repository of natural gas at 16,000 to 20,000 feet or deeper. High costs, price control and ample supply from shallower wells discouraged past deep drilling: Even in 1978, five years after the Arab embargo, only 604—1.3%—of the 48,161 wells drilled in U.S. went below 15,000 feet.

But consider the prospects. Deep wells tend to be superwells, able to produce 5 billion to 6 billion cubic feet of a year, equal to 1 million barrels of Almost 200 such deep wells exist in Permian Basin, another score in sketchily explored deep Anadarko. In Tuscaloosa, Chevron has such a wel the Judge Digby field. A well-inform analyst, Charles M. Strain of Houst Underwood, Neuhaus & Co., belie that more than one Chevron well in False River field contains 200 billion bic feet of recoverable gas. Outside e mates put Amoco's Port Hudson fi reserves at 600 billion cubic feet. Explo tion men say the Trend as a gas area co contain as much as 5 trillion cubic fee

Overall, the careful, conservative tential Gas Committee at the Colora School of Mines estimates that 65 t lion cubic feet of gas may lie in just three deep zones mentioned—enough developed, to hike U.S. proven reser by 33%. Their development could ins that natural gas would continue to p vide a quarter of U.S. energy and wo carry the load until the arrival in middle to late 1980s of gas from Alas and, possibly, gas from coal.

Deep gas is easier than either of the needing neither costly new pipelines new technology. All that was needed, fact, was the sensible terms of the Natu Gas Policy Act of 1978, which sophis cated gasmen are lauding as "a roadma in the words of Houston's Mitchell En gy & Development Corp. Chairm George Mitchell. Though criticized complexity, the Act is really simple: T newer the gas supply or the greater t risk getting it, the higher the price t Act allows. The ceiling price of new discovered gas is now up to $2.15 1,000 cubic feet and rising 1% to 1.5% month under the Act's pricing formu The result? Drilling for gas wells was 33% in 1979's first two months, thou oil drilling was down 3.1%.

But deep gas is better off yet: It w soon have no ceiling price. It will deregulated as of Nov. 9, 1979 under S tion 107 of the Act—written in becau



Two great deep gas zones

The Anadarko Basin, left, is one of the U.S.' most prolific gas-producing areas, but its deeper zones are only now being actively developed. The Tuscaloosa Trend is a newly discovered belt of gas-bearing sands 18,000 to 22,000 feet beneath Louisiana. Getting to the gas is expensive because drilling per foot rises geometrically with the depth.

of a remarkable nine-year lobbying effort by one man, Robert A. Hefner III of Oklahoma City. Hefner is half-owner of GHK Co., a major Anadarko Basin leaseholder. For 20 years he and his partner David Kennedy pioneered deep drilling. In 1969, by drilling a well to the unheard-of depth of 24,453 feet, they hit a deposit of 21 billion cubic feet of gas. Their problem was that, with gas held to 20 cents per 1,000 cubic feet, their reserve would be exhausted before they could recoup their $6 million investment.

So geologist Hefner, then 35, a University of Oklahoma graduate and grandson of an Oklahoma Territory judge, hurried for price relief to the Federal Power Commission, which knew from nothing about deep gas. Predictably, the FPC asked Hefner for more data. Also predictably, it granted no relief.

For the next seven years Hefner supplied data—drilling records, geologic charts, hard evidence of hydrocarbon remains from Paleozoic times, up to 620 million years ago. He became a national expert on deep gas, convincing Colorado School of Mines' Potential Gas Committee that the deep Anadarko contained 50 trillion cubic feet of reserves. He also campaigned for Jimmy Carter in 1976.

When the natural gas bill was before Congress, Hefner lobbied hard—and intelligently—for deep drilling. "We didn't just sit around the offices of our home state congressmen," says Hefner, an athletically handsome, even patrician-looking wildcatter. "We spent most of our time talking to the Jacksons and the Kennedys, the Metzenbaums and Harts"—the opponents of decontrol. He succeeded: The Act deregulated difficult gas, including gas from formations below 15,000 feet—foreshadowing development of the vast 12,000-square-mile Anadarko under western Oklahoma and the Texas Panhandle.

Already GHK has a new contract to deliver 1 billion cubic feet of gas a year to Panhandle Eastern Pipeline with the price tied to the average terminal price of number-two heating oil in its intended markets. Panhandle will then subtract its transportation costs—25 cents per 1,000 cubic feet—to establish the maximum it is willing to pay at the wellhead. Currently that comes to $2.75 per mcf—the highest price ever paid for gas in the U.S., and the equivalent of $15.95 a barrel of oil. That is still under the landed price of imported crude but above the still regulated price (under $9.50) of domestic crude, whose deregulation President Carter now plans.

It is also the emerging market price for deep gas. In Louisiana, Southern Natural Gas is offering Natomas 110% of the number-two fuel-oil price for its output from the Ft. Pike field in Lake Pontchartrain. Florida Gas has offered Hunt Oil something above the price of number-two fuel oil for the output of its Profit Island field. Producers and pipeliners are negotiating protective clauses, mainly because the producers fear that the government could move to control fuel oil prices and thereby reintroduce controls on gas. As for the pipelines' ability to pass the higher gas costs on to distributors, there should be no problem under the Act: It permits the cost of high-priced deep gas to be rolled into the price of older, cheaper gas the pipeline delivers its customers, provided the deep gas price doesn't exceed 130% of number-two fuel oil price.

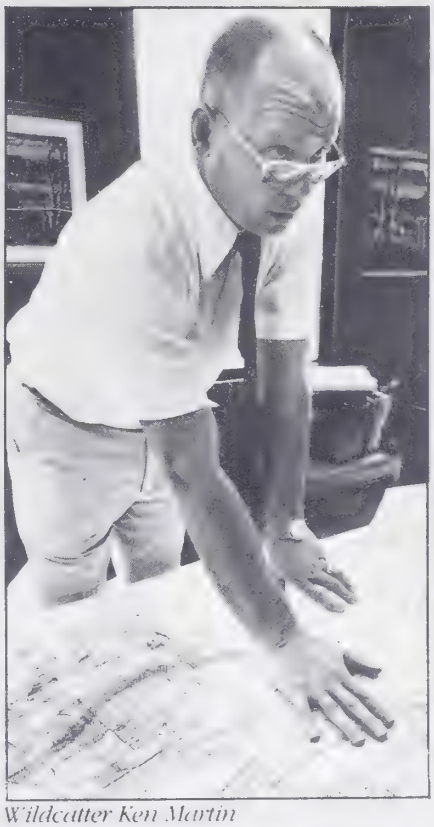
The new price of deep gas is double the price of the best West Virginia coal, but the government is clearly tempering its encouragement of coal use. "Though the Administration remains committed to the use of coal instead of oil or gas in *new* [his italics] boiler facilities over the longer run," said Energy Secretary James Schlesinger in an unusually clear speech in New York in January, "over the course of at least the next several years existing industrial and utility facilities will be provided every encouragement to burn gas instead of oil."

Those "several" years could stretch well beyond Schlesinger's or Carter's tenure, given the already apparent impact of the imminent decontrol of deep gas and the probable effect of the emerging decontrol of all natural gas. Today some 37 wells are being drilled in the Tuscaloosa Trend at an average cost of $5 million to $6 million per well (shallow wells cost around $250,000 each). About 75 wells are under way in the deep Anadarko Basin, at around $3.5 million each. Such wells are expensive because they take six months to drill under the best conditions and costs per foot rise geometrically as well depth increases. But at prices approaching $3 per mcf for gas, deep drilling has become about the hottest game in the country. ■

Tuscaloosa plunger

Ken G. Martin has it made, and Ken G. Martin needs money.

Both statements are true. Martin, 42, the owner of Martin Exploration Co. of New Orleans, is a geologist with 15 years in the trade and a moderately successful business that he started six years ago on $80,000 capital, mostly borrowed. His business was buying interests in depleting gas wells, profiting from price rises, then plowing back the profits. By 1977 he had enough reserves to borrow $25 million and go for broke buying leases in the Tuscaloosa Trend. Now he is the largest individual Trend leaseholder, with many of his 70,000 acres adjoining major gas discoveries.



Wildcatter Ken Martin
Has leases, needs money.

In a sense, Martin already has it made: The leases for which he paid an average $357 an acre would bring from $600 to $700 an acre today, for a cool $20 million profit. But developing leases, not selling them, is the way to the big time. So Martin is looking for the best deal he can get from a gas-hungry pipeline: a $50 million loan to develop his properties, with the pipeline getting to buy, at market, any gas he finds. The worst he can do is a farm-out—let another company drill his prospects in return for a half interest in the wells.

Martin, the son of a Southern Illinois University football coach, went to Louisiana State on a football scholarship. "When I think of where I've come from six years ago with $80,000," he says, "I'm prepared to take risks." The biggest risk is that he will drill nothing but dry holes in an area where the success ratio, counting development wells, has been 82%. And the reward? Billions in cash flow over 15 years if he hits big, $150 million easy from just one modest strike.

Martin has the distinct feeling that he is in the grip of destiny. "It's the kind of chance that comes once in a civilization," he says, surveying an office decorated—like many geologists' offices—with the artifacts of the American Indian civilization that went before. **—J.F.**

INFORMATION MANAGEMENT. DOES IT THREATEN THE WORK ETHIC?

The American work ethic has always assumed that if you worked hard, your efforts would be rewarded.

We wouldn't argue with that. But we would like to amend it a little.

The way we see it, working hard isn't nearly as important as working well.

Information Management isn't a way of sidestepping hard work. It's a way of making it more productive.

For example, there's no virtue in having to spend hours typing, retyping and re-retyping documents. So we make electronic typing systems that let you type, revise and retrieve information in a lot less time. Which gives you a lot more time to create and perfect it.

To make information easier to work with, we make a full range of copiers, duplicators and computer printers. Ones that not only reproduce, but can reduce, collate or even print in color.

To make information more accessible, we have Telecopier transceivers and communicating typewriters that transmit information crosstown or cross-country in minutes.

We even offer computer services that let you manage information without having to manage a computer.

So you see, Xerox information management systems are actually the epitome of the work ethic.

They work harder. So you can work better.

XEROX

XEROX® and Telecopier® are trademarks of XEROX CORPORATION.

While politics got most of the attention, it was oil that was very much on both parties' minds in the Egyptian-Israeli peace negotiations.

Egyptian oil: a mirage in the desert?

By Yassin El-Ayouty

IT WAS NO ACCIDENT that oil was the last issue, but not the least, to be settled as an item on the Egyptian-Israeli peace agenda. Only a few hours before the scheduled peace treaty signing at the White House on Mar. 26, nobody was sure whether the issue of Sinai oil would be resolved. The Israelis were demanding first call on Sinai oil for their own needs; the Egyptians were resisting the demand. It was a veritable cliff-hanger which took a Sadat-Begin caucus to resolve, allowing the signing ceremony to take place on time. In this instance the Israelis had to give ground. Egypt now gets back the Sinai oilfields within seven months (the Israeli timetable was nine months and Egypt's was six) following exchange of treaty ratification instruments. Israel will get no preferential treatment as a purchaser of oil from Egypt but will be able to buy 2.5 million metric tons—about 50,000 barrels a day—from yesterday's implacable foe.

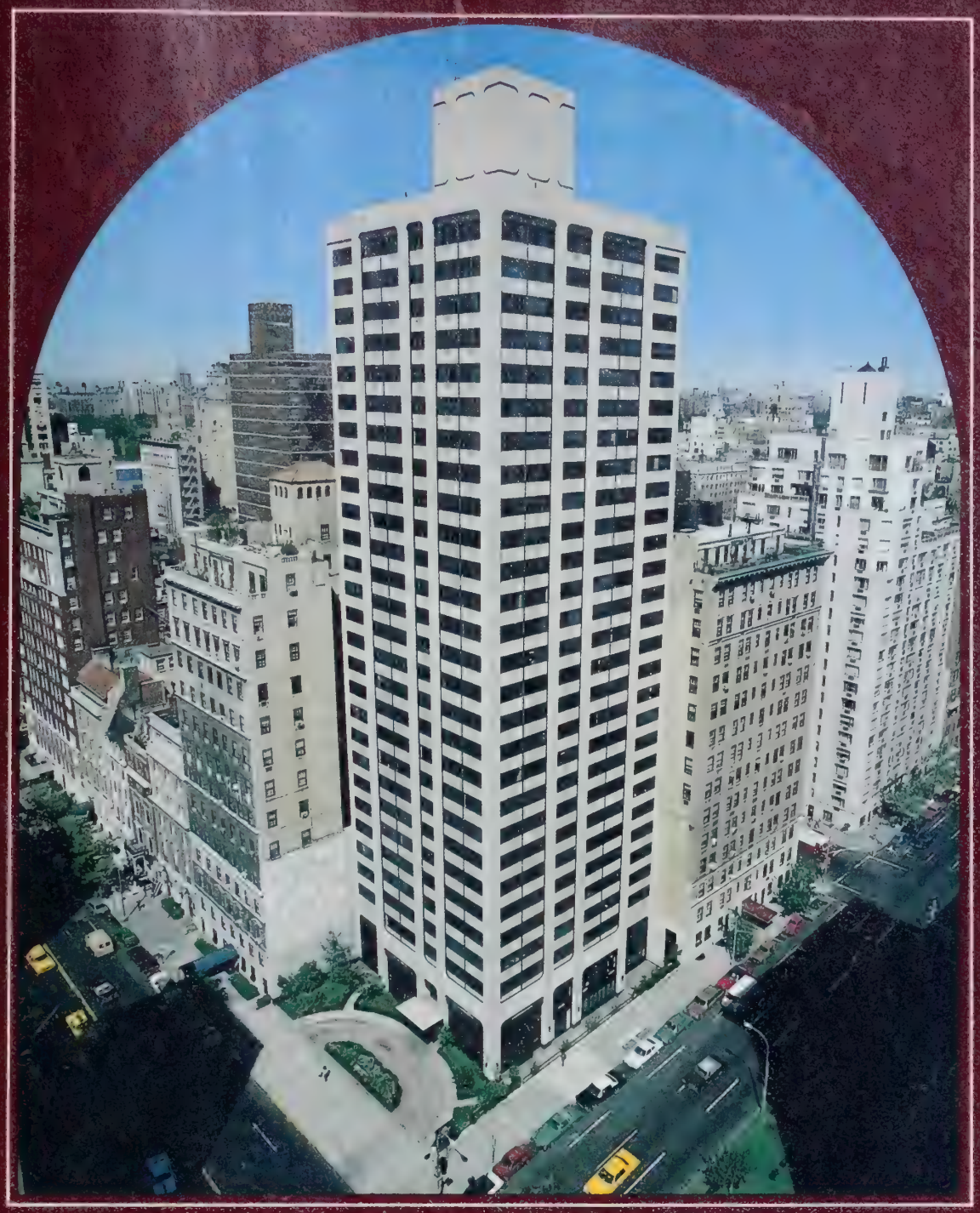
The old Arab proverb says, "You cannot give what you do not have." Does Egypt have enough oil to fill such a commitment? Or is that provision so oil-slippery that the U.S. will have to bail two Mideast friends out of the con quences of unmet contractual obli tions? "We now produce enough oil cover our internal needs and leave us export margin," Petroleum Ministry o cials told FORBES in Cairo. "Our to production, including the Sinai oilfie now under Israeli occupation, stands 530,000 barrels a day, which we exp to go to 1 million by 1982, provided keep on exploring." That's a retreat fr the original goal of 1 million barrels 1980, but it is still a lot of oil. If Egy produces from all fields, on land and o shore, nearly 25 million metric tons oil, it most probably could afford to s Israel, at OPEC prices, 10% of that p duction annually. Of course, as Egyp needs for oil soar, with the accelerat development in a peace era, so would t production volume need to rise.

There is a disconcerting euphoria th greets those who visit Egypt to report its struggle to modernize, develop a catch up with various technological a vancements in almost every sphere national life. Economically Egypt is bad shape. Yet from telecommunicatio to transport to housing to "the conque of the desert," Egyptian officialdo tends to produce overoptimistic report But Petroleum Ministry people are r freshingly frank and realistic.

"Is it true that Egypt, as has been r ported recently, is sitting on a huge o

...th worker at Abu Rudeis in 1975
...o and a half million metric tons of oil from yesterday's implacable foe.

Outstanding.



A Private Residence now available for condominium home ownership.

THE PARK 900

900 Park Avenue
New York 10021
212/734-3700

Home Marketing of America
A Member of The American Invaco Family

Sponsors: Park LaSalle, Inc. / Subject to availability after 6/27/79. This advertisement is not an offering, which can be made only by a formal prospectus. CD-78-179

raffic in Cairo

ecause of location and cultural affinity with Europe—a more fertile ground for modernization than Iran.

ke?" we asked Ibrahim Radwan, an miable geophysicist who is general anager of the Egyptian General Petro- um Co. (EGPC). In response to this old umor, Radwan chuckles softly. In im- eccable English, the 20-year veteran of l exploration says: "These are exagger- ions. There are no oil lakes either in gypt or elsewhere. What we have in vor of our oil expectations is our loca- on on the oilbelt that made Libya, for xample, an oil-producing country. But bya dug up 4,000 wells, and Egypt was ble to dig up only 200. If we are able to g 2,000 wells, then we could transform gypt into a significant oil-producing ountry." Understand this: Radwan was ot saying that Egypt is another Libya, hich produces 2.18 million barrels a ay. What he *was* saying is that, for his- rical reasons, Egypt has never been ex- ored with anything like the thorough- ess Libya has.

The EGPC benefits from President Sa- at's shrewd evaluation of the dampen- g effect of bureaucracy on productivity. e is supposed to have enjoyed many mes the quip that Egypt could over- me red tape only if the permanent ndersecretaries of every government inistry were executed. Sadat isn't seri- usly considering euthanasia of the bu- aucracy, of course, but he is often driv- n to distraction by its deadening effect n Egyptian life.

Accordingly, he has bypassed chauvin- tic and left-wing objections and al- wed, nay, encouraged, foreign oil com- panies to do the exploration rather than restricting the work to the government oil company. The result has been 53 agreements held by 22 operating companies representing 69 corporations with 17 different national registries. These are, besides the EGPC itself: U.S., Italy, U.K., France, Netherlands, West Germany, Japan, Australia, Spain, Sweden, Canada, Switzerland, Malaysia, Brazil, Panama and even the Cayman Islands.

Unlike Saudi Arabia, which is hard-pressed to spend what it earns from oil, Egypt is desperate for foreign exchange. She would be eager to export every barrel possible to earn dollars for industrialization and modernization of the economy.

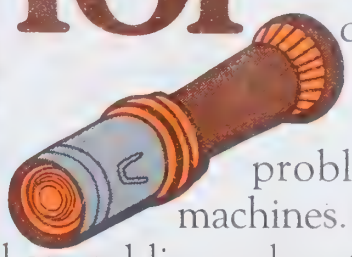
According to the Petroleum Ministry, the priorities for oil possibilities are ranked as follows: Gulf of Suez (onshore and offshore), Nile Delta basin, Sinai basin (the southern in particular), the Western and Eastern Desert basins (especially the former) and the Red Sea (onshore and offshore). Of course, this priority ranking is determined on the basis of both actual discovery and measurable prospects. For example, in the Gulf of Suez basin (22,000 kilometers onshore and offshore) so far 22 wells are operating in an area of proven deposits. In the 30,000 to 40,000 square kilometer area of the Delta basin which stretches into the Mediterranea hopes are high as a result of the discove of two natural gas fields (Abu Madi 1967, and Abu Kir in 1972).

The massive exploration effort is ove whelmingly dominated by U.S. co cerns. According to Egyptian gover ment statistics, it is estimated that exploration will cost these compani over $1 billion ($970 million for explor tion within eight years, plus $107 mi lion for contract signature bonuses pa to the Egyptian government).

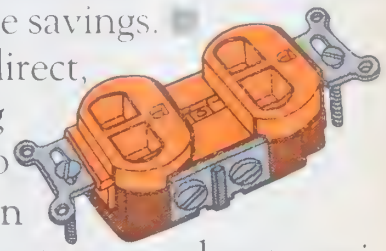
How can these companies be sure th one day the government will not tak over their operations once oil is disco ered and developed, especially sinc Egypt has a government-controlled c company? Of course, they cannot be al solutely *certain*. But Egypt's experienc with nationalization under Nasser wa sobering; this is, after all, one of the fe nations in the world to have swung t ward socialism and then found its wa back. "Enough damage to Egypt's econ my has already been done by previou acts of nationalization of foreign inves ments," says one high official. "This i now an open economy." You cannot, c course, put such assurances in the bank but no successor to Sadat would wi many political points by shouting slo gans of government ownership.

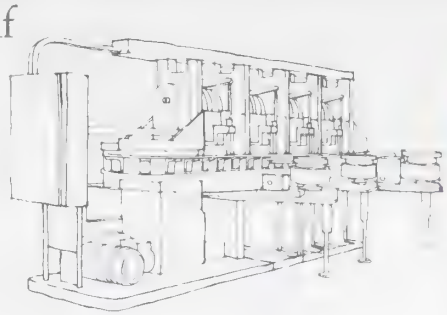
The Egyptian government seems to b leaning heavily on the Indonesian mode for petroleum development. Instead of th national sector participating in the devel opment of oil once it is discovered, thu

The machine that pays for itself



When you're in the business of assembling parts, you're in the business of holding costs down while keeping quality up. Which is a tricky business these days. Manufacturers have found the answer to the problem. Bodine in-line assembly machines. ■ Bodine modular machines have produced millions of small assemblies such as those shown here, products made in high volume to rigid specifications and yet at considerable savings. ■ With today's skyrocketing labor costs, both direct and indirect, managers hardly have to be persuaded of the wage-saving advantages of automated assembly systems. But they also must look hard at the possibility of long delays in changing over to new equipment, and they must worry about sacrificing quality control in their products. ■ Conversion even from a completely manual operation can be made swiftly and with a minimum of de-bugging time. ■ As for quality control, the simplicity of the Bodine drive system eliminates much of the need for monitoring and adjustment. Most of the motions of the system are timed and driven by the main drive shaft, and these include self-inspection features that keep constant tabs on output. ■ All of this adds up to higher production rates, fewer returns, and the elimination of costly major retooling for product changes. Which means savings added to savings. A Bodine assembly machine pays for itself. And then it starts to pay for itself all over again. ■ Write or phone Frank J. Riley, Vice President, The Bodine Corporation, 317 Mountain Grove Street, Bridgeport, Conn. 06605, (203) 334-3107.





Bodine
ASSEMBLY SYSTEMS

quiring a sizable initial investment on e part of the country concerned, a pro- uction-sharing arrangement was adopt- by the Indonesians. Hence, a company ploring for oil in Egypt is able to develop s oil discovery on its own, without any nancial commitment on Egypt's part. oduction-sharing (onshore, the percent- e is 80% for the national sector, 20% for e company; offshore, it is 70% to 30%) akes economic sense to an impover- ned economy.

Another reason Egypt welcomes foreign l companies is that it expects more than st petrodollars from the industry. There e important fringe benefits accruing to ypt as a result of oil exploration and velopment. The training and job-cre- on that are continuously undertaken by reign oil companies there are among the ost important. Also, at least 3,000 Egyp- n technicians are presently on loan to rk in oilfields around the world, includ- g Australia, Canada, even the U.S.

It would be a blessing, both to Eygpt and to the Western World, were this ancient land found to contain large amounts of oil. Unlike, say, Saudi Arabia, which is hard-pressed to spend what it earns from oil, Egypt is desperate for foreign exchange. She would be eager to export every barrel possible to earn the dollars she needs for industrialization and modernization of the economy. Egypt, moreover, in part because of her Mediterranean location and her cultural affinity with Europe, is far more fertile ground for modernization than is Iran.

Is the oil there? American oil industry experts enthusiastically assert that the Sinai has plenty of oil. As for the Western Desert basin, they don't appear to be quite as sanguine about its prospects for the time being. Yet Egyptian officials stick tenaciously to the argument that the Western Desert contains "the biggest and thickest deposits in Egypt," to quote geophysicist Ibrahim Radwan of EGPC. From President Sadat on down, everyone is keeping his fingers crossed. ■

he U.S. is stumbling in its efforts to create an il stockpile, but Europe and Japan aren't.

Too little for a rainy day

OVER THE PAST TWO YEARS, the U.S. Department of Energy has spent over $1 billion to create a strate- petroleum reserve. The plan will cost ny billions more by 1985, when the l amount—equivalent to about five nths' supply of oil imports—is sup- sed to be socked away in Texas and uisiana salt domes. So far, the ambi- us project has had more than its share foul-ups: Storage costs have doubled d the fill rate is running at half of rget levels. Meanwhile, there are no mps to provide access to the 70 mil- n barrels of crude that are now in the serve. That's only equal to about a ek's imports. U.S. oil companies, of urse, hold massive operating inven- y, but experts reckon only about one- nth of it—maybe 12 days of imports— an actual safety margin. The rest is eded just so the oil distribution system eps rolling.

President Carter's speech early this month made little reference to this important part of energy security. It seems a startling omission. "Compared with the U.S., Europe and Japan have more protection," says Edward Krapels, a Washington consultant who recently did a major study for the Rockefeller Foundation. Germany, for instance, has an impressive emergency store program that dates from 1966. The Bonn government has over 40 million barrels of crude stored in salt caverns—on a per capita usage basis, over three times the official U.S. cache—and it plans to add 40% more oil by 1980. Meanwhile, the Germans have sold the U.S. $30 million worth of salt-dome storage technology.

Besides the government stockpile, however, Germany has also forced private oil companies to build up reserves. That's something most major nations with oil storage schemes have done, though the idea is hardly popular wit U.S. companies, mainly on grounds inequity. German companies felt th same way. After a 13-year struggle, th compromise was a compulsory oil sto age organization. Companies pay un form storage fees based on their sal volumes, effectively passing stockpilin costs along to the consumer.

The goal of Germany's quasigoverm mental storage body is a 65-day supply. already holds over 90% of the amount- half in surface tanks and the rest belo ground in Germany and in souther France. "There are 20 of us here in Ham burg managing the whole industry stoc program," says August Kurz, a directo "Before, it took hundreds of people a over the country—two or three in eac company." DOE officials acknowledg studying Bonn's system in their searc for ways to finance the final 250,00 barrels of the U.S. strategic reserve.

In Japan, there has long been a coz relationship between the industry and th government agency responsible for ene gy, the Ministry of International Trad and Industry. A stockpiling law is on th books, and emergency reserves are a join government/industry affair. By the end c 1978, thanks largely to cheap loans an other incentives, the oil company elemen of Japan's reserve was on target at 84 days supply, half in crude, half in products. I addition, through a reorganized Japan Na tional Oil Corp., the government last yea bought 31.5 million barrels of crude fo storage aboard 20 supertankers. Beside stockpiling oil, this $500 million effor helped the country's depressed shippin industry and provided an outlet for th government's bulging dollar reserves. I 1979 the Japanese will spend $2 billio more for on-land storage depots and addi tional crude. Because surface storage site are scarce and prone to earthquake dam age, Japan too is looking at possibilities fo underground stockpiles and buying tech nology from Europe.

In France and Italy, where state contro of the oil industry has a long history laws compel firms to hold the emergency reserves. Italy even makes *consumer* custodians of its safety supply. Anyone with a tank holding 1,200 barrels or more must keep it one-fifth full at all times. I the U.S., the Office of Management and Budget has urged that similar user stock- piles be made part of the strategic re- serve. "You'd need a huge bureaucratic system to keep on top of that," says a DOE planner, "though it might make sense for major electrical utilities."

The U.S., of course, has an advantage over the Europeans and Japanese; it still produces about 50% of the oil it uses and about 70% of the total energy. But is this any excuse for second-rate strategic plan- ning at a time when the U.S.' daily *im ports* rival the daily production of Saudi Arabia? ■

See your Home Key Agent or Broker

Chromalloy means strength to America.

The Home Insurance Company means strength to Chromalloy.

American business turns to The Home for innovative, dependable protection.

The Home Group, Inc.

A City Investing Company

The Home Insurance Company • The Home Indemnity Company

From "pole" to "pole," Brazil is reaching new heights in petrochemicals. With the help of worldwide Citibank.

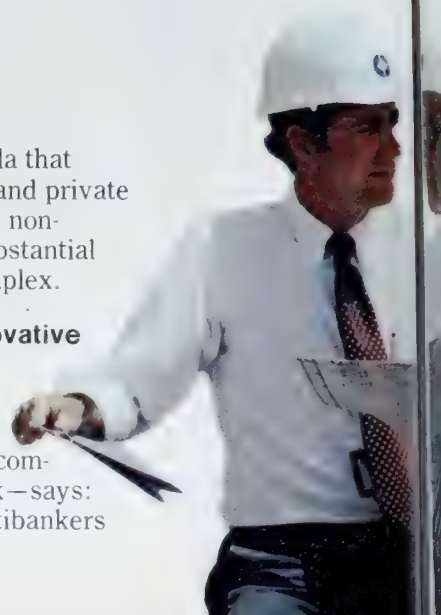
Towering distillation columns highlight a vast new petrochemical complex—or petrochemical "pole," as such a complex is called in Brazil—that is one of the largest simultaneously planned and constructed chemical installations in the world.

It is the second such pole to be built in Brazil—and the forerunner of a third. By supplying major impetus to a basic industry, these poles will effectively curtail Brazil's dependence on imports for much of its petrochemical needs, by making raw materials available for products ranging from plastics and pharmaceuticals to fibers and fertilizers.

Under a creative financing formula that coordinates participation by public and private sources of funds, both Brazilian and non-Brazilian, Citibank has provided substantial financing for the new $3-billion complex.

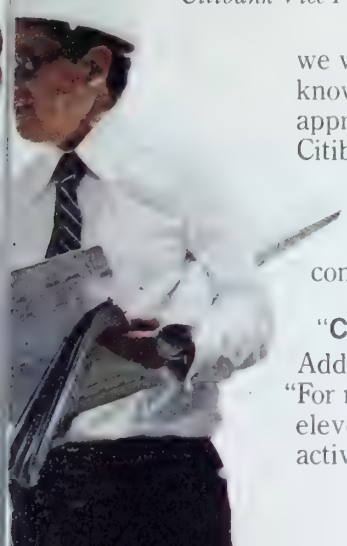
"We look to Citibankers... for innovative financing approaches."

Otto Vicente Perroni, President of Petroquimica do Nordeste S.A.—known as COPENE, and the major component company within the complex—says: "We know that we can look to the Citibankers



Citibank, N.A. Member FDIC

At COPENE's Camaçari site:
President Otto Vicente Perroni (right), with
Citibank Vice President Robert E. Cushman.



we work with not simply for funds, but for knowledgeable and innovative financing approaches." Adding further dimension to Citibank's participation are the skills of Citibankers who are specialists not just in petrochemicals, but in such related industries as plant construction and transportation.

"Citibank has actively participated..."

Adds Citibank Vice President Bob Cushman: "For more than sixty years Citibank, with eleven branches throughout Brazil, has actively participated in the country's development, providing both funds and financing expertise."

To customers large and small, multinational, regional or local, Citibankers bring the full resources and facilities of a leading international bank.

They bring, also, a continuing commitment shared by Citibankers everywhere: to work with insight and dedication toward the economic good and growth of every area Citibank serves, worldwide.

CITIBANK

A subsidiary of Citicorp

What is NCR up to now?

We're up to number one in department store point-of-sale terminals.

Your latest department and specialty store purchase, very likely, was "rung up" on an NCR point-of-sale terminal. The odds are in our favor because two-thirds of the terminals being installed are ours.

A leader in scanning—Perhaps your purchase receipt was produced automatically by an NCR wand reader which scanned the item's price tag. NCR introduced wand reading and has supplied more wand readers than anyone else. Also, NCR now offers the complete line of Optical Character Recognition (OCR) equipment a retailer needs for effective purchase order management.

Retailers depend on NCR systems—Why are we up to number one in department store point-of-sale terminals? Executives of such companies as Abraham & Straus, Montgomery Ward, Hess's and Seibu helped put us there. They depend on NCR systems for up-to-the-minute management reports, precise inventory levels and improved employee productivity.

Providing business equipment for almost a century—But helping department stores fight rising costs is nothing new for NCR. We've been doing it since the days when high-button shoes were in style. In fact, we've been in business for 95 years. Department store executives look for this kind of experience when they choose an EDP system.

Support where needed and when—And they look for support. NCR supplies it, with 16,000 highly trained field engineers around the world. This global support network is especially important to companies with plans for expansion.

Retailing is just one of the fields where NCR is the leader. We're also up to management's most exacting requirements in financial, commercial, industrial, health-care, education and government markets.

Now you know why NCR is a world leader in general-purpose computer systems.

NCR
Complete Computer Systems

'hat shall it profit a natural gas operation
)at does things right? Not much these days.

The high price of prudence

By Allan Sloan

AMERICAN NATURAL RESOURCES CO. was doing everything right at its Michigan Consolidated Gas subliary. It energetically promoted conser-tion, went out and found new gas sup-ies in Michigan, promoted the import Canadian gas, built huge gas storage lds and therefore had enough gas left er to bail out less prudent or less fortu-te utilities during the great gas short-e days of a few years ago. Is this any ay to run a gas company? Not in 1979, isn't.

Michigan Consolidated, which made ndy profits peddling its surplus gas dur-g the gas shortage, is choking on its rplus now because of the temporary tural gas glut. The result was that ich Con had terrible 1978, which will followed by a worse 1979.

Mich Con's problems are starting to rt ANR, a Detroit-based integrated tural gas company. ANR's coal, truck-g and other subsidiaries made up for ich Con's $18.1 million earnings de-ine last year, allowing ANR to show a rawny 1% increase in profits on a 16% crease in revenues (to $1.9 billion). But rring a miracle, Mich Con's problems ill drag ANR's earnings down this year, hich will be ANR's first year-to-year ecline since 1968.

During the days of gas shortages in 974-77, eager utilities besieged Mich on, begging for enough gas to avoid tting off service to customers. Mich on sold the surplus so adroitly—even anaging to stick other utilities with efty gas storage fees—that for most of e 1970s, Mich Con earned more mon-than the Michigan Public Service ommission authorized it to make.

That's a neat trick, especially in ichigan. The Michigan PSC, while not ngenerous, routinely takes a year or ore to decide major rate cases. Mich on tiptoed around the commission for ears, earning unauthorized profits but

ANR Chairman Arthur Seder Jr.
Too much is too bad.

insisting that each year's sale of surplus gas was "temporary." Mich Con filed only modest rate increase requests, and preferred to settle them expeditiously rather than litigate them.

In addition to its other talents, credit Mich Con with some foresight. It saw trouble ahead disposing of its surplus, and filed a big rate request in March 1977. And, looking for a place to put its surplus gas, it lined up a California utility to buy a whopping 100 billion cubic feet (bcf) in 1979-81. But the sale fell through, and the Michigan PSC took 19 months to rule on the rate request.

In September 1978, just as sales to other utilities were all but ending, the Michigan PSC approved new rates assuming Mich Con would be selling a large quantity of gas out of the state. The ruling damaged Mich Con two ways. One, it obviously couldn't earn a profit on gas it couldn't sell. And two, Mich Con couldn't even recover all of its basic operating costs, because the PSC spread them over 474 bcf while the company will do well to sell 440 bcf this year.

"Regulation has a very difficult time turning around that rapidly," concedes Daniel Demlow, chairman of the Michigan PSC. "Michigan Consolidated got caught with a [rate] case at a time we were talking about shortages, and it ended during a time of surplus."

That's not much consolation to Mich Con, especially because the plan to solve its gas problems with a single sale fell through last October, shortly after the PSC's rate order. Seeing that the spot market for selling surplus gas was going to soften, Mich Con signed Pacific Lighting of Los Angeles to a tentative three-year contract to buy 20 bcf of gas this year and 40 bcf annually in 1980 and 1981. That 100 bcf is enough to heat 625,000 typical Michigan homes for a year. But Pacific, using an escape clause in the agreement, pulled out, leaving Mich Con to choke on the surplus.

Mich Con's 1978 profits were $17.4 million, down from $35.5 million in 1977. ANR as a whole showed a slight increase—to $129.3 million, up from $127.4 million in 1977—because its gas pipeline subsidiaries had a good year, and because it had a $2 million gain on the sale of some coal properties.

ANR attributes at least $4 million of the 1978 Mich Con decline—about 18 cents per ANR share—to the gas surplus. That's dreary, but it's downright wonderful compared with Mich Con's prospects this year. The company faces almost a full year with inadequate rates. Lack of a market for the 40 bcf of supplies will reduce Mich Con's 1979 profit by at least $14 million, not counting the profit-depressing factor of the decreased shipments through ANR's Michigan Wisconsin Pipe Line Co. to Mich Con.

What does this mean to ANR?

"We earned $17 million (on Mich Con) last year," said ANR Chairman Arthur Seder Jr. "If we go down another $10 million and the pipeline doesn't go up that much, which it won't, you can do the arithmetic."

The only chance of avoiding an earnings decline this year, says Seder (pronounced "cedar," like the tree), is a pending court case that may allow an ANR subsidiary to take into income a $25 million (aftertax) reserve set up a few years ago. But, Seder notes, that's not real earnings. "The analysts will disregard that," he says, "and they'll be right." ■

British insurance broker Julian Radcliffe protects businessmen against nationalization, coups d'état, even war.

Profiting from political risk

LONDON INSURANCE BROKER Julian G.Y. Radcliffe, a man of lean, aristocratic bearing, won't write a policy on Cheryl Tiegs' legs or Jimmy Connors' tennis arm. But he will sell you something equally offbeat. As head of a leading firm in political risk underwriting, he'll provide coverage against nationalization by tinhorn dictators, contracts cancellation after a coup d'état or even war losses—provided, it says in the fine print, that the conflict does not involve two of the five major world powers or the use of nuclear weapons.

Governments have long sold limited forms of insurance to protect their own businessmen abroad. Washington's Overseas Private Investment Corp., for example, dates from Marshall Plan days. But only recently have private sector insurers offered political risk protection.

The commercial potential of such insurance, however, intrigued Radcliffe while he was a student of international relations at Oxford. His first job in 1970 was with a leading Lloyd's of London underwriter; and two years later, at an elderly 24, he formed Investment Insurance International, which he runs today as part of the oldline Hogg Robinson brokerage group. "What we've done at I.I.I.," he explains, "is to arrange facilities at Lloyd's to take political risk insurance on a regular basis."

Then, straightening a very proper detachable collar, he adds: "First, you must understand what we don't do. We don't pinpoint where political troubles are going to occur—even foreign offices and state departments can't do that. A businessman, however, doesn't want to know whether the risk in Malaysia is greater than in Nigeria. He wants to know about *his* particular risk in Nigeria.

"Very few countries are uninsurable, period. Uganda probably falls into that category . . . Lebanon, Ethiopia, Nicaragua. There are others, such as Turkey, where we can't quote for risks like exchange transfer. Or maybe Vietnam, where we could perhaps insure European companies but not American ones. The point is that the risk on a specific investment or contract is much different than the risk for an entire country, and in insurance the particular always takes precedence over the general. Look at Iran. Lots of projects are going to suffer a delay, and there will be big losses. But unless there's anarchy for ten years, many of those contracts will be renegotiated—and you're a lot better off if you're putting in something that's basic to the economy than if you're building palaces for the royal family."

Political risk insurer Julian Radcliffe
The specific outweighs the general.

A pin-striped Etonian whose great-grandfather was a leading insurance broker, Radcliffe ticks off a range of business political risks from high to low. At the top are contracts to supply military hardware, followed by oilfield equipment—since energy industries are often nationalization targets. Near the bottom are investments in, say, electronics plants that will create local jobs.

Since government-backed insurers write political coverage with numer restrictions and only for new inv ments, Radcliffe gets a steady flow requests for rate quotations from ins ance brokers. His green, leatherbou "order book" lists over a score of inqu ies for just one recent morning. Am them, with identities blurred for pri cy's sake: a Dutch builder worried ab a $12 million hotel contract in Senega European airline eager to protect its c tract for charter flights to the U.S.S. and a U.K. drug company about to ope small production plant in Portugal.

The most intriguing, a U.S. firm m ing $1 million worth of amplifiers mosques in a Gulf States emirate, p vides a good example of how politi risk policies work. "They're probal making those things specifically for t order," says Radcliffe. "But what if t government falls and the deal is c celed? It's a pretty stable country, thou the contract isn't one with real econo ic value. We'd probably offer coverage about 2% of the amount covered. E that won't be the full $1 million. Even the worst cases, losses are rarely abo 40% of a contract's value." So politi peace of mind might cost $8,000.

"In general our rates range from 0.1 up to 10% of the sum insured," Radcli goes on. "Our underwriters spend m time trying to balance their book th wondering whether the rate for a partic lar deal ought to be 3.7% or 3.8%. I country goes wrong, that's irrelevant; not, it's all profit anyway. Right n Lloyd's has over $500 million at risk about 100 countries. There are so high-rate nations where we don't wa any more business and softer ones whe we have plenty of capacity."

Radcliffe estimates worldwide priva premium volume for political risk cov age—excluding oil rigs, ships and a craft, which are protected under conve tional policies—at about $20 million a growing fast. About three-fourths of th is placed with Lloyd's, where his firm a major factor, and a few independe companies, such as New York's Ame can International Group, also offer poli cal protection. Even in optimum situ tions, Lloyd's can insure only up to $ million on a contract, or $40 million investments, which limits business. B capacity should rise as private sector u derwriting in the specialty grows.

Radcliffe himself isn't about to whi away the coming years of growth at h family estate near the Welsh border. H commands an army reserve squadron- expertise he put to commercial use b founding a second company, Contr Risks, to advise companies on personn security. Outside the office he is acti in Conservative politics and plays an a gressive game of squash.

Quite dashing for a straitlaced Britis insurance man who is still only 30. ■

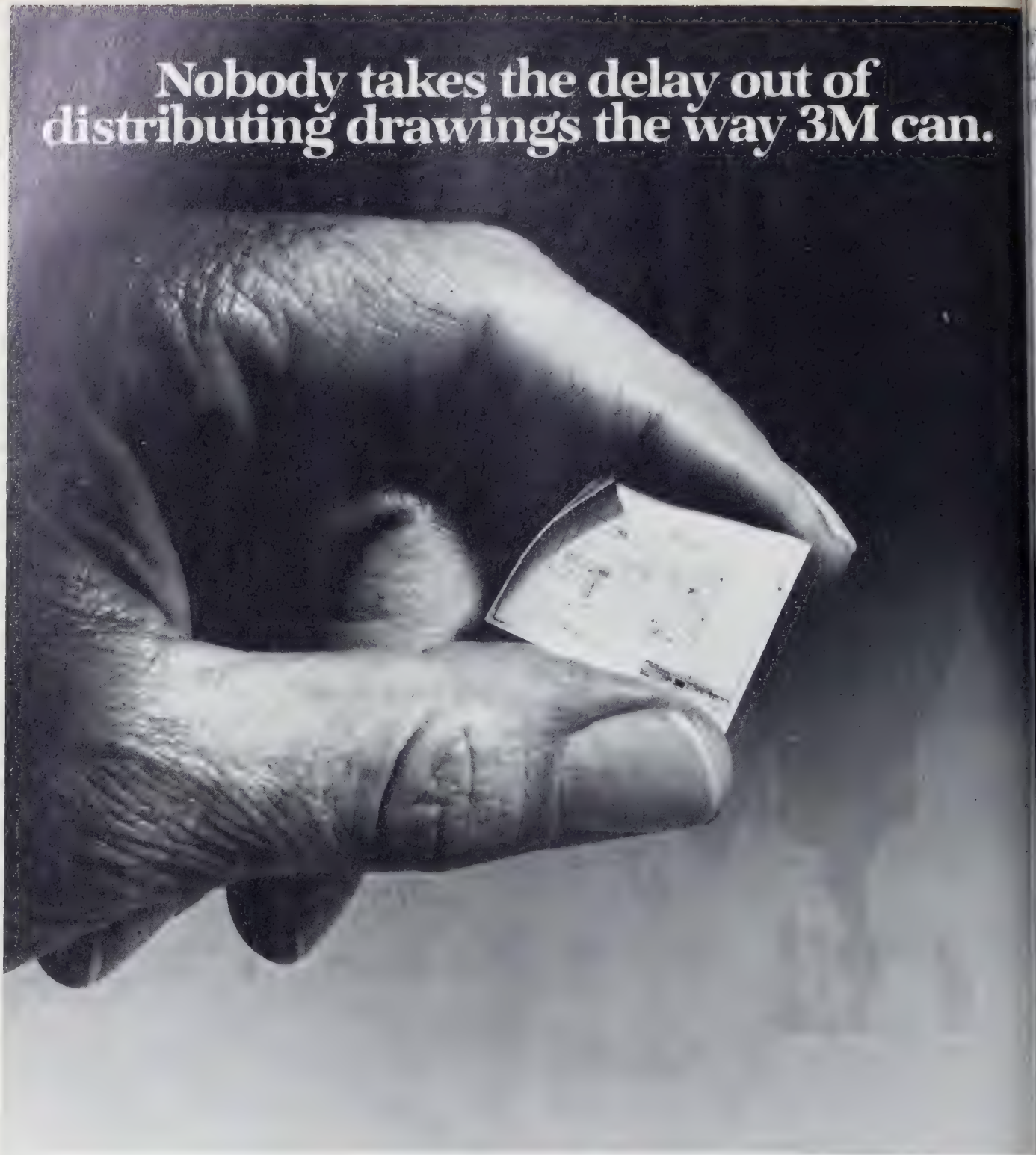
How a lot of Parisians get a really good steer from an industrial products company like Colt Industries.

There's one thing a lot of French cars have in common. And that's smooth steering—thanks to a special steering column bushing from Chromex S.A., a French unit of our Garlock Precision Oil Seal Division. Made from self-lubricating TFE and rubber sandwiched around a metal insert, the bushing provides the proper torque to translate steering directions to the wheels and back again—under virtually all road and weather conditions and at all normal speeds. This bushing is one of more than 100,000 industrial seals and components that make Garlock a respected name around the world. And Garlock is one of many names that make us a leading supplier to industry both at home and abroad. For our latest financial reports, write Colt Industries Inc, Dept. E, 430 Park Avenue, New York, New York 10022.

Colt Industries

Fairbanks Morse diesel engines • Fairbanks scales • Pratt & Whitney and Elox production equipment • Quincy compressors • Central Moloney transformers • Trent welded stainless steel pipe and tubing • Crucible permanent magnets and coil springs • Colt firearms □ Crucible specialty steels □ Holley carburetors • Chandler Evans fuel controls • Fairbanks Morse pumps □ Garlock industrial seals and components □ Menasco shock mitigation systems.

Nobody takes the delay out of distributing drawings the way 3M can.



A 3M Communication-by-Card System can cut the time it takes to deliver vitally-needed reproducible drawings, specs and ECN's from three days or more to one day or less. Prevent maintenance delays. And cut your operating costs as well.

The 3M system reduces each bulky engineering drawing to microfilm and mounts it on a compact data-bearing tab card. It's so fast, you can see the complete results 45 seconds later. Then, even more quickly, it makes inexpensive duplicate cards to distribute to every department where you now need a drawing. Call your local 3M Business Products Center. Or write Micrographic Products Division, 3M Company, St. Paul, MN 55101.

Business Products Center

3M

e Chessie-Seaboard merger pairs a healthy lroad with a troubled one. But don't as- ne Chessie's getting the worst of the deal.

An unequal partnership?

oard Coast Line Chairman Prime Osborn
homegrown management wasn't good enough to do the job.

As of mid-April, the shares of Chessie System, Inc. sold around $30 while those of Seaboard Coast Line Industries Inc. brought $27. Yet the merger recently proposed for the two giant railroad systems calls for Seaboard shareholders to get 1.35 shares for every Chessie share—shares that would presumably be worth $40.50 with Chessie selling at 30. The merger, moreover, gives each group of stockholders an equal share of the new company.

Chessie has been an extremely well-run company, while Seaboard has been a laggard. Why reward poor management with a premium price? The answer is that Seaboard is turning around bit by bit, and by the time the merger is accomplished—*if* it is accomplished—close to three years will have elapsed. By then, Seaboard, which last year earned only $4.64 a share, could easily be earning over $10 a share.

A few years ago, not long before he took over as chief executive of Jacksonville-based Seaboard, Chairman Prime F. Osborn III, now 63, took a good and long-overdue look at the company he'd been working for for more than 26 years and decided he didn't like what he saw. Seaboard's debt was increasing steadily and so were gross revenues, but the bottom line looked increasingly slack. Between 1972 and 1977 revenues had risen over 60% but pretax profits hadn't budged. This in spite of capital spending that totaled close to $1 billion over the past five years. This is a familiar enough story in railroading, but Seaboard is different. It serves one of the fastest growing sections of the U.S.—the booming Southeast. The Southern, which serves much the same area, has done much better. Between 1971 and 1977, for instance, when Southern's total tonnage rose 38%, Seaboard's was up only 7.8%, and that of its Louisville & Nashville affiliate, 8.8%. Where Southern managed to increase its earnings 89% over the past five years, Seaboard's earnings dropped over 10%. "We figured we ought to bring a greater percentage down to net," Osborn says, "and be sure our market penetration was going to increase."

Though Osborn is too tactful to say so, he clearly decided that the basic problem was management and that Seaboard Coast Line's wasn't good enough to do the job. Osborn himself supplanted Thomas Rice as SCL's chief executive two years ago and as chairman last spring. As SCL's other top managers retired, Osborn had begun replacing them with new men drawn not from within but from outside the company.

President Paul Funkhouser, 55, and Welborn Alexander, vice president-sales and marketing, came from the Penn Central. Richard D. Spence, president of SCL's L&N affiliate, came from the Southern Pacific by way of Conrail. Rob-

ert Hampton, SCL's new financial vice president, came from Salomon Bros.

Seaboard's management deficiencies stemmed in part from the 1967 merger of the Seaboard Air Line and Atlantic Coast Line, from which the present company emerged. For nearly a decade after the merger was first proposed, the company's management development program was stymied. "There was a period of a decade," Osborn says, "when everything was kind of standing still. We tried not to hire additional people. We did conduct some management training, but not as extensive as it would have been otherwise." The upshot was that the merged company never realized its promise. All too often, Seaboard failed to provide the service necessary to confirm its place in the market, and was so absorbed in shaking down its merger that it failed to anticipate the problems that were developing on the L&N.

Osborn has now plugged most of the gaps in Seaboard's top management, but too late to prevent the L&N's problems from surfacing publicly. Over the last two years, the L&N has been hit with a series of derailments, including two that rank as major catastrophes. The latest—involving a shipment of chemicals—last month threatened an 80-square-mile area around Crestview, Fla. L&N often seemed so ill-maintained as to be virtually running on its ties, and the Federal Railroad Administration finally imposed safety regulations that restricted L handling of hazardous substances. shippers began complaining of de rating service, and last summer the ordered Seaboard to supply 100 loc tives to the L&N and threatened to it over $1 million for failure to mai an adequate car supply. In 1978 the lost money for the first time in 46 y a loss that helped cut the consolid company's 1977 earnings record of million back to $68 million.

Last year's troubles, however, ma the considerable progress Osborn been making in reorganizing the pany. He has been gradually consol ing Seaboard, the L&N and their sm affiliates into a single integrated sys known as the Family Lines. Purcha and public relations have already centralized, and so has the traffic de ment—sales, marketing, pricing. counting is now being centralize well. The idea is to get the benefit merger without having to pay the p in restrictive labor agreements that a mal merger would involve.

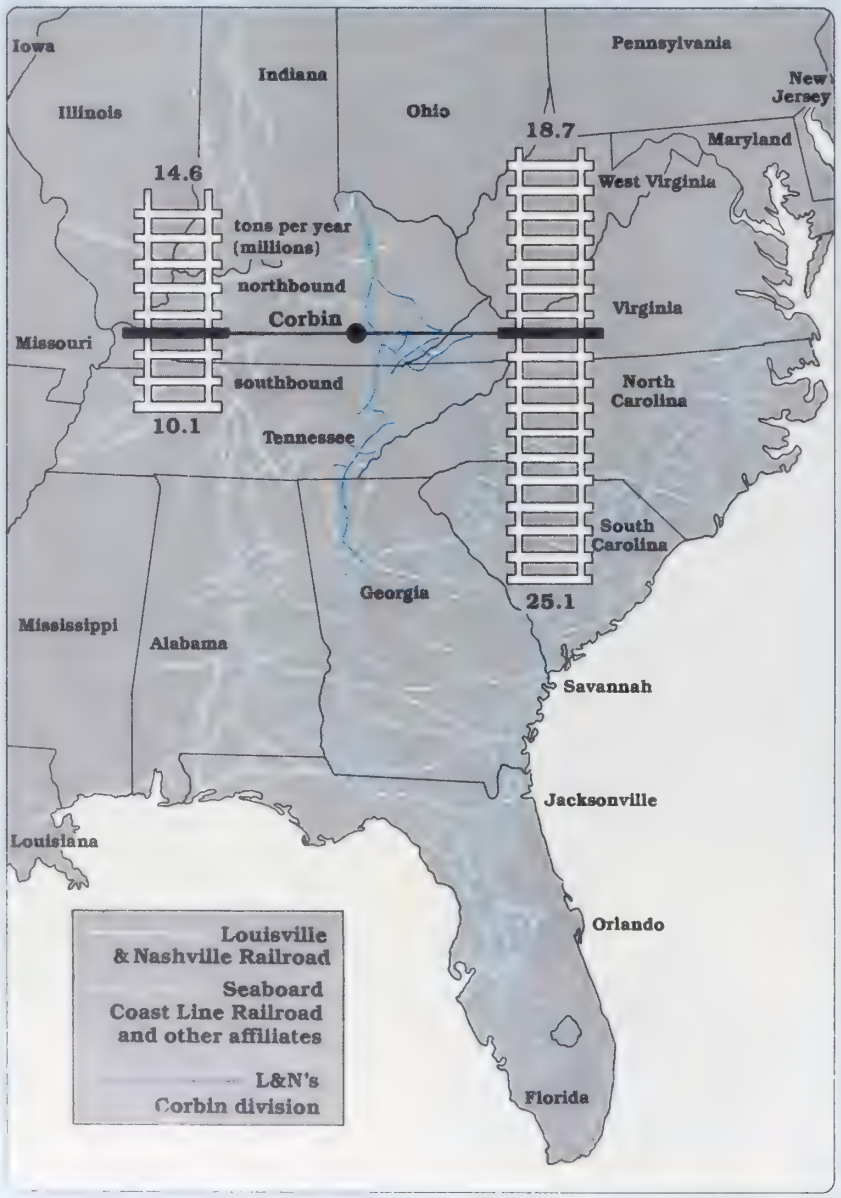
What this has meant, among o things, is that traffic now moves m efficiently and economically through the system. In the old days, each of Family Line railroads would attemp keep the longest haul for itself, so traffic moving onto the L&N at N Orleans bound for the Carolinas by of Atlanta would go the long way rou moving north to Birmingham before ing turned over to the SCL for transs ment to Atlanta and beyond. These d such traffic moves directly to Atlanta, the L&N at Montgomery onto the W Point route to Atlanta, then onto SCL itself. "We save a full day in mov it that way, and two yardings," says born, "and make a more efficient ro and a more economic haul."

Under Marketing Vice President Al ander, SCL is actively trying to cultiv the traffic it makes a profit on—co modities like grain, paper, phosphate and actively discouraging traffic which it does not, like aggregates, sa and gravel. And this means the SCL h to begin marketing its services. Thou the Family Lines serve the grain belt Indiana and Illinois, for example, L& never got any export grain business p marily because it never posted an exp rate. It does now, and the result was t last year the company handled 69 exp unit-trains—what Alexander expe will be the beginning of a big new bu ness. In its piggyback business, it's perimenting with back-haul rates exempt commodities like peanu "We're projecting," says Alexander, 20% increase in total units over the ne five years."

The main focus of management atte tion these days is Seaboard's troubl L&N affiliate. The third largest coal c

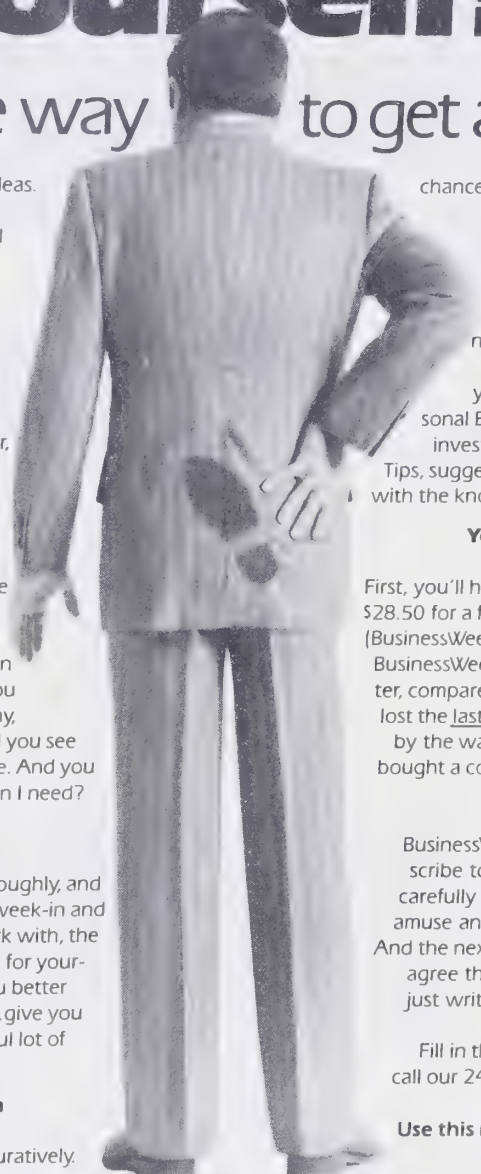
Coal corridor

A decade ago, coal traffic on the Seaboard Coast Line's Louisville & Nashville affiliate moved mainly northward out of Corbin, Ky., over a heavy-duty double-tracked line to Cincinnati and the big utility markets beyond. By 1977, the pattern had unexpectedly shifted, and the bulk of L&N's coal traffic now moves southward over a high-cost single-track line to the Knoxville and Atlanta gateways. Result: Booming growth brought heavy losses rather than soaring profits.



stop kicking yourself!

(It's not the way to get ahead.)



You go to a meeting. Everyone has lots to say. Ideas. Opinions. Asides. Finally you chip in your two cents worth. Only to find your "news" is as cold as yesterday's mashed potatoes. You think to yourself,

"I could kick myself."

You're called upon to make a really important decision. Restless nights. You toss and turn. Sort out the options. Then, based on everything you know, you make up your mind. It's a bomb! Your data turns out to be incomplete. You mutter,

"I could kick myself."

You've got the money to invest. And you should. After all it's for your family. So you bet a bundle. And even before you get your broker's commission bill, the "sure thing" starts down the drain. Again,

"I could kick myself."

You can probably add examples of your own like these. Times when you've really blown it. You did your best but no cigar. "Never again," you say, "NEVER AGAIN!" But then you look around and you see other people who never seem to make a mistake. And you wonder, "where can I get the kind of information I need? I'm tired of cussing and coming in second."

Welcome to BusinessWeek!

No other business reading so succinctly, so thoroughly, and so reliably gives you the information you need week-in and week-out to keep on top of the people you work with, the job you handle, and the security you're building for yourself and your family. BusinessWeek will make you better informed all-around...help you avoid mistakes...give you more confidence, more savvy...and take an awful lot of worry out of your working hours.

Here is just some of the information BusinessWeek delivers.

BusinessWeek ranges the globe, literally and figuratively. There's no such thing as local business anymore. The price of a barrel of oil in Saudi Arabia can have its effect in a lumber camp in Canada. And BusinessWeek doesn't want you kicking yourself anymore because you didn't know about such things. BusinessWeek gives you the big picture.

BusinessWeek separates the nitty from the gritty. Which simply means that with its staff of writers, researchers and editors and correspondents all over the map and the information resources of McGraw-Hill behind it, BusinessWeek can winnow out the information you need to know. If a thousand relevant numbers all add up to an increase in the prime rate to 13%, BusinessWeek will do all the calculations for you. And only give you the number you need.

BusinessWeek purposefully divides up each week's editorial menu into departments. Gives you a chance to pick out those areas of greatest interest and to program your reading.

BusinessWeek takes a hard look at everything that's going on. But it also takes a long look at what those happenings mean—in simple terms. Some people call it perspective, prescience, prognostication. We just call it good business journalism.

BusinessWeek recognizes that there are two of you. Every issue carries a popular feature called Personal Business. And it's just that. Everything from how to invest in art to where to spend your next family holiday. Tips, suggestions, admonitions, facts and fancies. And always with the knowledge that there's more to life than 9:00 to 5:00.

You'll have no kicks coming when you subscribe to BusinessWeek.

First, you'll have no kicks about the price. Compare the price—$28.50 for a full year—to any other business expense you incur. (BusinessWeek is probably tax deductible.) Compare the cost of BusinessWeek to a lunch with a customer or colleague. Or, better, compare the price of a subscription to what you may have lost the last time you missed the boat. (The basic $28.50 price, by the way, saves you $36.50 over what you'd spend if you bought a copy every week on the newsstand. Thought you'd get a kick out of that.)

We are so convinced that you'll get a kick out of BusinessWeek, that we invite you to try it without risk. Subscribe today and when the first issue comes, go through it carefully and critically. See if you don't find plenty to inform, amuse and perhaps amaze. Do the same with the next issue. And the next. Then after you've tried three issues, if you don't agree that there's a wealth of information in the magazine, just write "cancel" on our invoice and be under no further obligation.

Fill in the coupon below. Today. Or for even faster service, call our 24-hour TOLL-FREE number. It's time for you to stop kicking yourself.

Use this no-risk order form...or call toll-free (24-hours) (800) 523-7600 (in PA., (800) 662-5180).

BusinessWeek
1221 Avenue of the Americas
New York, New York 10020

Yes, I'd like to profit from BusinessWeek. Please enter a subscription in my name at the regular one year rate of $28.50* (a $36.50 savings from the newsstand price). If, after reading the first three issues, I decide BusinessWeek does not live up to your promise, I'll write "cancel" on your invoice and owe nothing.

☐ Bill company ☐ Bill me ☐ Check enclosed

Name ☐ Mr. ☐ Ms. _____

Title _____

Company _____ ☐ Manufacturer ☐ Non-Manufacturer

Product or service _____ Approximate # of employees _____

Please send my subscription to my ☐ home ☐ office. Address below

Street _____

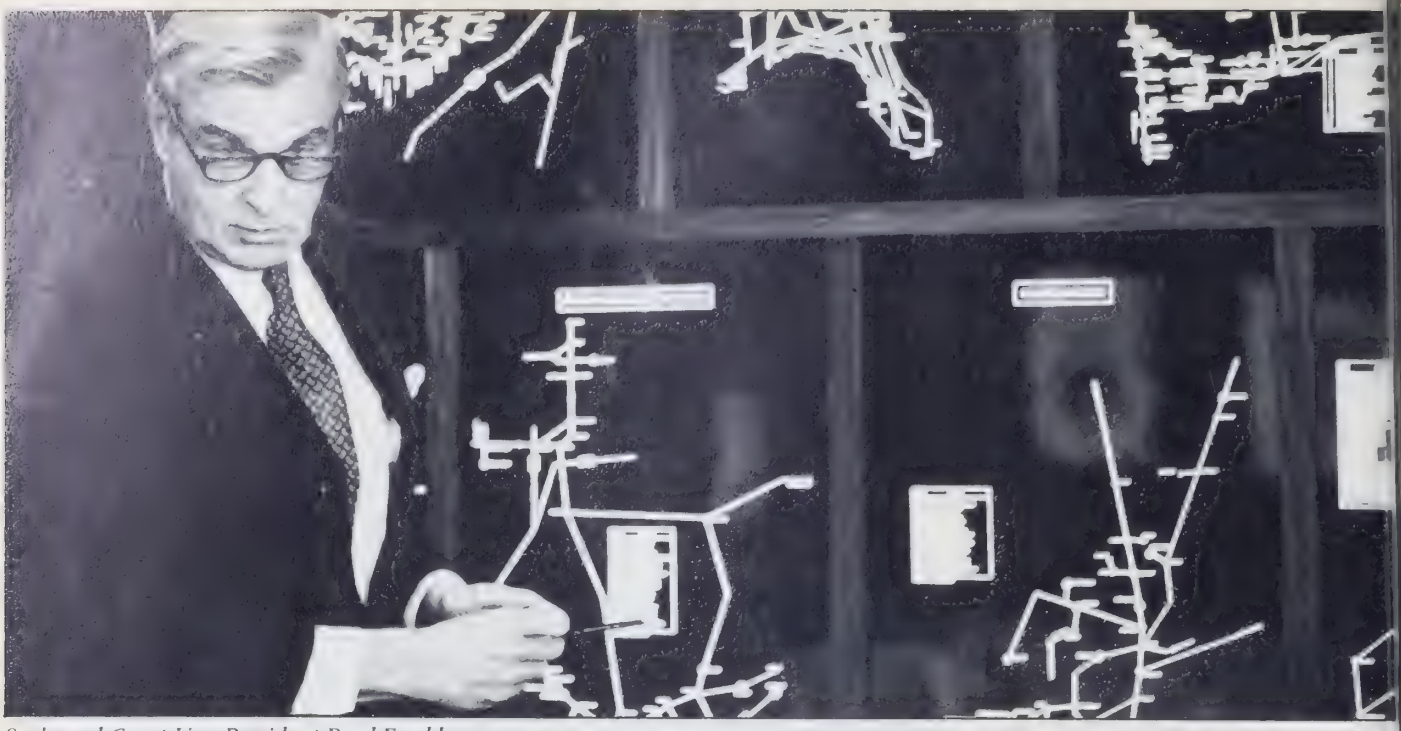
City _____ State _____ Zip _____

FREE: Send payment with order and get our 176-page EXECUTIVE PORTFOLIO of BusinessWeek special reports on major business issues and opportunities. Same cancellation privilege.

* $33.00 in Canada (U.S. Dollars); write for rates in other countries.

68110

McGraw Hill



Seaboard Coast Line President Paul Funkhouser
"When 50% of your traffic doesn't pay its own costs, you've got a company in trouble."

rier in the industry, L&N is more heavily dependent on coal than any other major railroad; last year coal constituted 66% of L&N's originated traffic and 50% of its total traffic, up from less than 37% a decade ago. But far from proving a blessing, so far L&N coal has proved to be a curse. Coal boomed in the wake of the 1973 oil embargo, and L&N was totally unprepared to handle it.

Up until then, close to 60% of L&N's coal traffic moved north out of the East Kentucky coalfields over a heavy-duty line built specifically to carry it. The rest moved south, over a single-track light-density line through Knoxville and Atlanta *(see map, p. 84)*. But the energy crisis changed all that. Suddenly utilities in the Southeast began turning from oil and natural gas to coal, and L&N's traffic went through the roof. In four years its total tonnage increased 36%, with southbound traffic up 68%.

L&N didn't have the locomotives to handle the traffic and it didn't have the cars. Two locomotives could move 125-car trains over the gentle grades to the north, but it took five locomotives to push 70-car trains over the mountains to the south. L&N couldn't handle all the traffic that swamped its line, and its rates were so low that, as costs began skyrocketing, it couldn't make any money on what traffic it did handle. Those rates had been set by the competitive pressures of the energy market back in the Sixties; and when the market changed, L&N had been unable to change with it.

Compared with the two other major coal carriers in the East—both of whom ironically were confronted with *falling*, not rising, coal traffic—the L&N's rate levels were absurdly low. Its coal revenues averaged $3.57 a ton in 1977, *vs.* $4.68 for the Chessie System, $6.06 for the Norfolk & Western. If L&N's rates were at Chessie levels, L&N would have earned $67 million more than it did last year. But L&N's rates were not, and as traffic continued to mount, profits began to dwindle rapidly, and by year-end L&N was $32 million in the red.

L&N moved 58 million tons last year, but even that was 10 million tons short of the growing demand, which will probably hit 90 million tons by 1983. L&N's only hope of being able to meet that demand is a massive five-year $425 million rehabilitation and modernization program, involving 187 new locomotives, 7,500 freight cars, miles and miles of new siding and double-tracked and upgraded line.

But how to raise $425 million?

With a 54% debt ratio, L&N could not borrow the money, and it could not earn enough to finance the expansion internally either. So last fall it finally turned to the ICC with a landmark petition to raise its coal rates by 22%—enough not only to cover its costs but also to yield it a modest return on investment. The new rates were not exactly extortionate. They would yield L&N only 101.1% of its fully allocated costs.

L&N's utility customers screamed bloody murder, but the ICC approved the rates anyway—subject to later review and possible refunding. Between the 22% increase and last fall's general freight rate increase, L&N's revenues from coal will average $4.61.

"The rate increase," says President Paul Funkhouser, "will give us the financial base and the internal earnings to
forward with the $425 million progra
It should give us the earnings base
borrow money in the private sector."

At this point, nobody is willing to p
dict what sort of impact the rate
creases are likely to have on this ye
earnings. For one thing, they began go
into effect only in February, and for
other, stepped-up maintenance expen
will mitigate their impact considerab
Nevertheless, the SCL has a potential
doubling its earnings in a fairly sh
time. Because the $34 million decline
last year's earnings was nonrecurri
Osborn expects SCL will have little di
culty in topping its 1977 record—$7.0
share—this year. Two or three ye
from now—about the time the mer
might go through—he thinks he can
to the point where Seaboard can bri
10% of revenues down to operating n
After fixed charges and taxes, Osbo
figures that Seaboard could easily r
$150 million—or over $10 a share—a f
ure that would clearly justify the pren
um the merger proposal calls for.

The merger itself could not come a
better time. With the oil crisis mounti
daily and with nuclear power unfort
nately in increasing trouble, it is beco
ing clear that the U.S. will have to spe
up developing its coal. The merger wou
ease the difficulty of getting L&N coal
market—over shorter and lower-co
Chessie lines—and put Chessie's vast c
fleet at L&N's disposal. "We think it's
great thing for the railroads," Osbo
says cheerfully. But just how great d
pends in part on Osborn's ability to g
Seaboard's earnings moving finally ar
keep them moving. ■

What can you do with a man like Salvatore Caravetta? His capers with Torch light bulbs, cynically marketed in the name of helping the handicapped, are a scandal.

Rascality springs eternal

By Robert J. Flaherty and Tedd A. Cohen

If you or your spouse should get a strange telephone call one day from a self-proclaimed handicapped caller begging you, often tearfully, to help the handicapped by buying some light bulbs inspiringly marketed under the Torch brand name, be assured you are not alone. Some 100,000 Americans get such calls monthly, and millions have paid over $70 million for the bulbs in the last 5 years. Many have taken the bait, unaware they were paying a high price for a substandard product. Torch has had more lives than a cat. The one constant, in all its reincarnations, is that most of the benefits have flowed not to the handicapped but to a healthy, wealthy New Jerseyite named Salvatore M. Caravetta and his associates.

Now 52, Caravetta was still in his late 30s back in 1965 when he first proved that he could prey upon the compassion of the average American housewife to his own considerable profit. He could do so by selling his light bulbs by telephone, using handicapped or allegedly handicapped callers to make his pitch. To this end he set up American Homelight Corp. in 1965, changing its name the following year to Brighter Homes.

In most respects the operation was a rip-off from the start—the piteous calls by handicapped workers playing upon their handicaps and their need, the bulbs that were priced at about three times the level of standard General Electric, Westinghouse or Sylvania bulbs available in any supermarket, and then, since telephone sales must be on credit, the bombardment of pleading (don't make us take away the commission of a handicapped person) and then letters threatening to ruin the credit of customers who were slow to cough up. Fictitiously, the company claimed links to national credit rating services, banks, retail stores, gas stations, even local bars.

For a while at least the bulbs themselves were of decent quality, made by an excellent little New Jersey company named Duro-Test Corp., but Caravetta soon changed that. Instead, in the late 1960s he shifted to a new supplier, Beta (pronounced "better") Lumination Co., which was secretly owned by Caravetta himself. Unfortunately, the new bulbs—all "guaranteed to last five years"—were of abominable quality. They produced a substandard amount of light for the electricity they used; they often became dim to the point of uselessness. Worse, because of poor production procedures they frequently burned out in days or even minutes, instead of the 3,500 hours they were supposed to last. After Caravetta's ownership of Beta Lumination was exposed, he felt impelled to sell it in 1974.

Such were the products hawked by Caravetta's sales staff of "handicapped." As revealed in the State of New Jersey's 1974 Investigation of Profit-oriented Companies Operating in a Pseudo-charitable Manner, some of the doctor-certified "disabilities" were: acne, excess weight, nervousness, hernia, hay fever and dislocated shoulder. How many were there? To keep the telephones manned by 600 employees meeting Caravetta's rigorous order-producing standards required hiring about 6,000 handicapped per year—a 1,000% turnover.

As consumer complaints poured into the New Jersey state government, the head of its charitable frauds bureau discovered some interesting corporate changes at Brighter Homes Corp. In 1968 Caravetta had sold Brighter Homes to a New York-based interdenominational church, the Stratford Retreat House, organized in 1964 by New Jersey radio preacher Reverend John Crew Tyler. Soon after the merger Reverend Tyler changed the operation's name to Torch Rehabilitation Organization; despite later modifications, it was to carry the word Torch (for The Organization to Conquer Handicaps) in its name from then on.

The advantages of the new setup were many. For one thing, telephone rates were lower for a business affiliated with a church—especially important for a telephone solicitation business. Postal rates were also lower, equally important where deliveries were made by mail. Moreover, Torch no longer had to pay federal taxes and was exempt from some states' income and franchise taxes. Because Torch was now part of a church, many buyers felt they had to pay even when taken—bad debts and requests for bulb replacements fell sharply. Sales soared to $4 million, and profits, estimated by Torch's accountant at $228,000 pretax before acquisition by the church, jumped to $1 million in 1970.

For the insiders, the advantages were even greater. In effect, the sale to the church had been a bonanza for the original owners. Caravetta—as owner of over 50% of the predecessor corporation's stock—plus his

associates including sales boss Michael Gabriel and financial man John J. Callery, had sold the company to the church for about $5 million, about 22 times pretax earnings, to be paid plus interest over 15 years. Thus the original owners made a killing as the church became a tax shelter to turn ordinary income into capital gains. For good measure, the church took out a $1 million life insurance policy on Caravetta, who also owned most of the light bulb manufacturing company, all of the company that arranged for Torch's printing and part of the credit company (which he sold to an associate in 1972).

A sweet setup, too sweet to last. Various other state regulatory agencies joined those in New Jersey in looking at Torch with increasing interest and hostility. An Internal Revenue Service inquiry frightened Reverend Tyler into fleeing abroad, where he dropped from public view. His church, which once claimed 10,000 souls, is now down to about 50. By late 1970 Congress had closed the loophole that allowed churches to run unrelated businesses like Torch tax free.

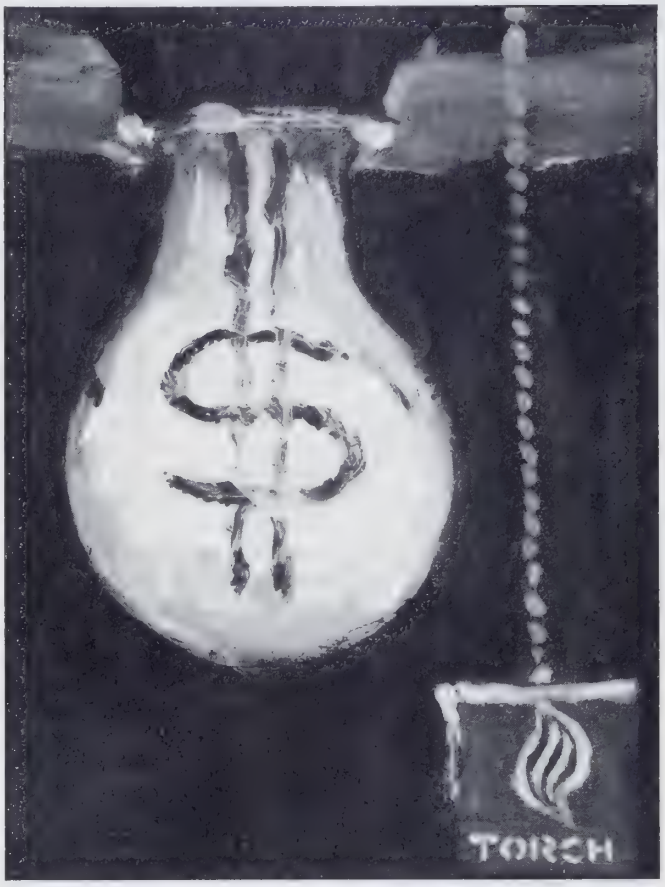
Around the time Tyler fled, a new personality entered the picture, Harold Russell, Oscar-winning actor and disabled veteran, who has hooks instead of hands lost in World War II and who was—and still is—chairman of the President's Committee on Employment of the Handicapped. Russell was named president of Torch in 1972. Advertising began to appear showing Russell with a pen in his hooks, carrying the copy "Call me lucky"—lucky, that is, to be carrying on such great work.

But two years later Harold Russell resigned. "I left Torch because I didn't like the smell," says Russell. "Caravetta was holding back important things and not discussing changes with everybody. As president I was making $25,000 and working on selling programs. I was horrified to learn that Caravetta was making $100,000. I also discovered his own company was making the light bulbs. I thought we were getting them from some established company."

In 1973 the IRS filed suit against Caravetta and the other original shareholders claiming that the "sale" to the church was not genuine. The case has not yet been tried because of delays, usually pleas of illness by some key defense witness or lawyer. After millions had been paid under the contract with the church, the publicity from the New Jersey and other investigations sharply reduced profits. Torch had to discontinue selling in both Michigan and New Jersey.

The church sold the light bulb operation to a new company, but the church was too shaky to recycle the cash flow it received. But Caravetta is nothing if not resourceful. He and his attorney devised a plan to buy back the light bulb operation . . . so it could be resold yet again.

Ordinary income could be tax-sheltered into capital gains once again. First, the church, now paying corporate income taxes and unable, therefore, to pay over its contracted 70% of pretax profits, was near default on the contract. Then



Caravetta and his associates, for an undisclosed sum, plus canceling the remaining paper debt, reacquired the light bulb operation and resold it to a new entity named Torch Products Corp. run by one of Caravetta's middle managers, a polio victim named Joseph Maira, and owned at least technically by the handicapped sales employees. The selling price was $1 million, to be paid by 1984 and bearing 4% interest.

Joe Maira insists, "The new Torch has nothing to do with what went on with the old one. In 1984 we'll be completely free. Give us a break. I look forward to your story like a threatening storm. It's so unfair, not only to me but to all our 600 handicapped sales employees. Do you realize how hard it is to get a job that pays even the minimum wage when you are handicapped? Torch can be something special if we get the chance."

How different is the new Torch? Sales are over $6.5 million, but aftertax profits are under $100,000. Importantly, M is making a much greater effo through newspaper advertising and si lar means—to hire legitimately ha capped people. For another, all sh outstanding are held by handicapped ployees who receive one share for e year of employment. Some 289 emp ees now own under 1,000 shares of authorized 6,050; the rest are unissue a shareowner leaves the company, must sell his shares back at an appra value, currently about $5. If Torch valued at Caravetta's $1 million sell price, each authorized sh would be worth over $160.

On the other hand, the r Torch's top management sides Maira includes old Ca vetta cronies Mike Gabriel, charge of operations and sale a salary of $53,000, and Jo Callery, who makes $40,000 the top financial man. And ery year the new Torch is ol gated to pay Caravetta and other original Torch own $97,500 plus interest as part the purchase price, money t Caravetta, of course, gets tax as a capital gain.

What is almost more distu ing is the way the new To continues some of the dubio practices of the old. For exa ple, the new Torch still carr the old life insurance policy Caravetta, originally $1 milli but now declining as the note Caravetta is paid down. And t company still buys its bul from the same old inadequa source that Caravetta sold c rather than switching to a fir rate supplier. With a better bu the shockingly high free-l placement figure of 20.7% of bulbs shipped could be sharply reduce Until 1983 some of the manufacture cash flow still goes to Caravetta to p off the purchase price.

And what of the central character, Sa vatore M. Caravetta? Needless to say, refused to be interviewed by Forbes, pr ferring to be represented by a smoot talking attorney. But Caravetta, living a mansion in Essex Fells, N.J., still flou ishes. He has even achieved a kind fame among official investigators. M chael R. Siavage, executive director New Jersey's State Commission of Inve tigation, is certainly no friend of Torch "Torch Products should not be allowe to sell in New Jersey, and I'm happy the stopped," he says. But he adds that f keeping up with the tax laws, adaptin corporate forms and managing to sta well within the periphery of legitimac Caravetta ranks among the three be adversaries he has faced in six years government service. ■

How to put your building on a strict Btu diet.

Energy, as we all know, is money. It disappears faster than we can put our fingers on it.

Soon, every one of us is going to have to start budgeting energy. The high costs of energy, as well as government regulations, are going to demand a strict accounting of the way our buildings consume energy.

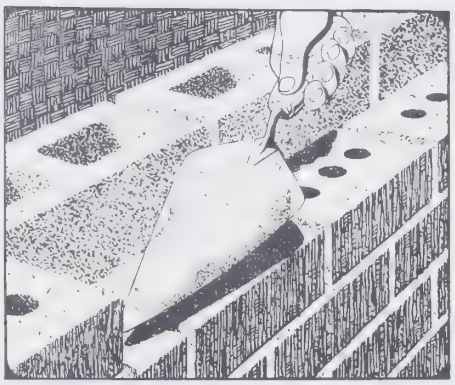
But there are ways to make a Btu stretch farther. We believe there are four important things that every business manager should know about cutting down energy expenditures:

1. *To do a good job of saving energy, you have to be concerned with the energy performance of the entire building,* not just a component like the walls, or a single system like heating and cooling.

Every facet has to be taken into account. The mass, or weight, of the walls, proper insulation, heating and cooling systems, air infiltration through doors and windows, water and lighting systems—all are critical.

Building performance standards that take this overall "thermal performance" (measured in Btus—British thermal units) into account are the best kind of standards. They give designers and builders freedom to use their skills and ingenuity. They encourage such things as proper solar orientation of buildings, reduced air infiltration and efficiently-sized mechanical equipment. A true "performance standard" simply sets an energy conservation goal, expressed as an energy budget for an entire building, and then permits that goal to be achieved by the designer, builder, and owner in whatever ways they can devise.

2. *We can use the sun's energy to cut energy costs.* There are both "active" and "passive"



solar collectors. "Active" solar collectors collect energy from the sun and then use mechanical equipment such as pumps or fans to distribute that energy. "Passive" collectors simply collect the sun's heat and hold it until it is released by radiation or conduction.

No materials serve as "passive" collectors better than masonry—brick, concrete block, stone.

Passive solar collectors have many advantages over active solar collectors. They have no working parts—nothing to go haywire. They are simple to design and build—and they are more economical.

3. *Massive walls of masonry, even when they're not designed as passive solar collectors, keep buildings warmer in winter, cooler in summer.* Because of their weight, or mass, masonry walls act like thermal blankets. In many cases, masonry walls will mean that heating/cooling systems can be reduced in size.

4. *Insulation is important when properly used, and when its limitations are understood.* We are still learning about the limitations. It's already clear that insulation is cost-effective only when used with restraint. After a certain point of thickness has been reached, the cost of additional insulation will no longer be recovered in energy savings.

And it's becoming clear that some assumptions made in the past about insulation are not justified. For example, there are indications from preliminary studies that in regions where more energy is expended in cooling than in heating, insulation used in the standard fashion in all walls may actually increase, instead of reduce, energy consumption.

One of insulation's limitations is that it affects only conduction—it doesn't affect air leakage, which is estimated to account for 25-30 percent of the thermal loss in buildings. A significant amount of air leakage occurs through windows and doors, so it's important to reduce the size of, and shield, these openings.

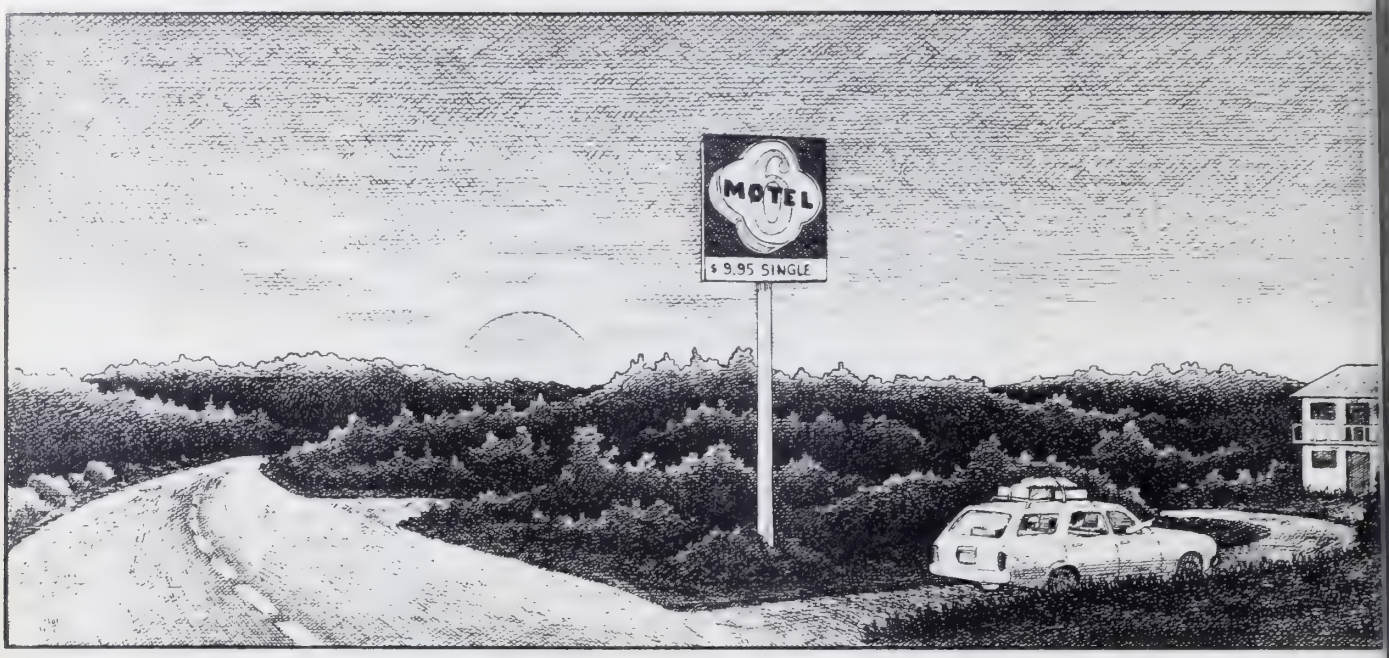
Masonry walls will further reduce air leakage because they are hand-fitted on the site (like custom-made suits) and thus are more airtight.

Furthermore, the effectiveness of insulation depends on the wall to which it is attached. Promoters who compare wall materials with insulation are making a meaningless comparison—the two have different functions, and one is not a substitute for the other.

Keeping to a strict Btu budget for your buildings is important today and will be even more so tomorrow. If you would like to know more about saving energy, write to International Masonry Institute, 823 15th Street, Northwest, Washington, D.C. 20005.

International Masonry Institute
(The Bricklayers' International Union and the Mason Contractors of the U.S. and Canada)
823 15th Street, N.W., Suite 1001
Washington, D.C. 20005
(202) 783-3908

You shouldn't have t
decent place t



This disarmingly simple idea has turned City Investing's Motel 6 into the nation's leading budget motel chain.

For too many Americans, spending the night in a conventional motel can mean spending a big chunk of their travel budget.

That's why we're not conventional.

Motel 6 has grown into a thriving national chain on the strength of one simple idea:

A decent place to spend the night doesn't have to cost the average American family as much as a night on the town.

What Motel 6 has to offer.

Attractive surroundings.

Clean rooms, completely carpeted. With a big double bed, shower, vanity and generous closet space.

Courteous employees to ensure a pleasant stay.

Full air conditioning (except for a few motels in cool climates where you don't need it).

A TV (but only if you want it, and then for only 75¢ a day).

A swimming pool in most locations.

Everything, in fact, except frills.

All for the same low rates ($9.95 single, $13.95 double) throughout the country. And throughout the year.

Providing a decent place to spend the night makes Motel 6 an ideal stop on any itinerary. Especially for the budget-minded family, school or scout group,

ay resort rates for a pend the night.

travel club, salesman on per diem allowance, or retirees on a fixed income.

How can Motel 6 offer all this and stay in business?

Common sense is part of the answer. A belief in basics is another.

For example, we stick to uniform construction methods, adapting them only slightly to fit the locale.

This doesn't mean stinting on quality. Instead, it means continual refining.

And learning from past experience, rather than starting from scratch with each new location.

At the rate we're expanding, disciplines like these are vital. Not only to keep costs in line, but also to forecast expenses intelligently.

We've also worked out a way to standardize the design of our motels. Easy maintenance and low overhead are engineered right in.

With the 285 locations we will have in 1979, these savings mount up. And we can afford to pass them on.

As travel costs go up, getting down to basics in the motel business seems to be paying off.

Last year, as a matter of fact, more than 12 million road-weary motorists boosted Motel 6 occupancy rates to record levels.

And helped boost Motel 6 earnings to record highs.

The management philosophy behind Motel 6 guides the profitable growth of all City Investing operations.

Our companies profit from good ideas.

In housing, we plan and develop entire communities. We're a major builder of single-family houses and mobile homes.

In manufacturing, the talents that have made us world leaders in the production of steel shipping containers and heating and air-conditioning equipment also enabled us to introduce the *Sun Set* and *SunDirector* solar water heating systems.

In insurance, we're a major property and casualty underwriter, specializing in policies tailored to business needs.

Ideas that meet basic needs are central to City Investing operations. And will help us grow to $5 billion in revenues in 1979.

For ideas that may profit you, just clip the coupon.

John Herndon, Vice President,
City Investing Company, Department D,
767 Fifth Avenue, New York, New York 10022

Dear Mr. Herndon:
Please send me:

- ☐ Your Motel 6 Directory of Locations
- ☐ More information on City Investing Company

Name _____

Address _____

City _____

State _____ Zip _____

FO 4-30

City Investing

Next time you spot a well-dressed Englishman, check his handmade suit respectfully. It just might be leased.

Custom-tailored loopholes

By Paul W. Sturm

On London publisher Allen Levy's birthday recently, to enhance the festivities, his employer picked up the tab for a new $400 custom-tailored suit. There'll be another later this year—plus a dozen handmade shirts.

Such bespoke duds aren't free, of course: Levy pays about $60 annually to lease each suit from New Cavendish Books, where he is a director and part-owner. The company writes off the cost as a business expense. And after two years, Levy is given each suit—which has little secondhand value anyway.

That, simply stated, is the latest executive survival gimmick in struggling Britain, where successive governments have raised the marginal tax bite on salaries to 83%. Such stratospheric rates put a premium on clever accounting. Creative interpretation of a three-year-old revenue law makes leased executive haberdashery possible. "A nice little tax dodge," says Douglas Hayward, a tailor just off Park Lane. "But most clients keep it quiet. They don't want people to know they're wearing company suits." Especially not feisty union members whose only corporate clothing may be a $10 pair of overalls.

Tailors on Savile Row, London's center for discreetly expensive menswear, hope the leased suit will become as popular a fringe benefit as the executive dining room and company limousine. Companies now own nearly 25% of Britain's cars, which gives U.K. automakers a boost that tailors could use, too: Low pay and high taxes leave the average English businessman about half the net income of his European and U.S. counterparts. Spending on apparel, as a result, has dwindled. Levy, for example, earns just $17,000 gross—less than $12,000 after taxes—and figures that without leasing it would cost 20% of his take-home pay to outfit himself properly.

With their clientele so beleaguered, no wonder London's custom men's shops report that over three-fourths of their present business comes from foreigners. "At any airport in the world, you know when a plane from England has landed by all the ill-fitting, scruffy clothes," says Fred Lintott, who runs H. Huntsman & Son, where suits sell for over $1,100.

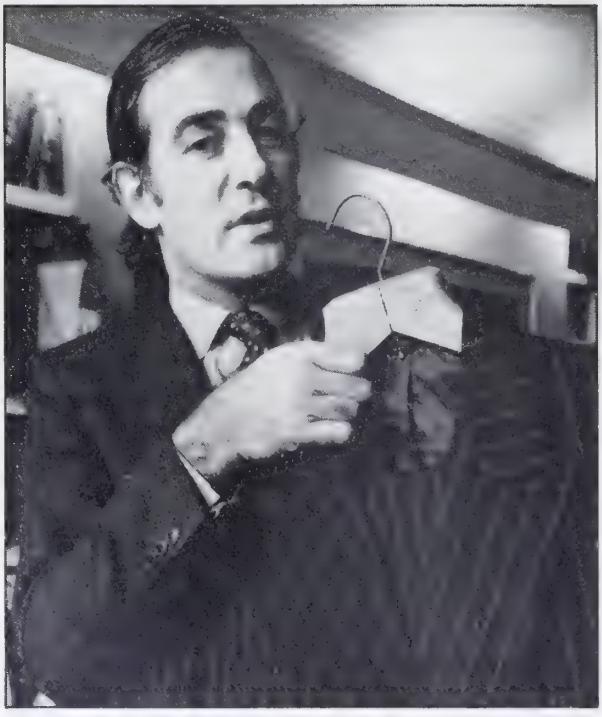
Though tailors love the idea of company-financed suits, shirts, ties and even shoes, such plans are highly controversial. Perhaps 500 firms are using versions of the leasing scheme, necessary because an outright gift of clothing would subject the recipient to tax on its value. Only a few entrepreneurs like Levy even admit to the practice. Big corporations remember the troubles at BOC International Ltd. sev years ago when stories about its le executive furniture hit the press. "N ing illegal, but imagine the reaction or shop floor," says Nigel Bryant, who h the compensation unit at managem consultants Inbucon Ltd.

There's also the worry of a tap f the tax man on one's finely fitted ha shaped shoulder. In the U.K., who p what depends largely on the local enue agent's personal interpretatior regulations. "Companies used to cov lot of school fees," says Tony Ver Harcourt, personnel manager at n chant bankers Keyser Ullmann. "T the popular press wrote about that, left wing put on the pressure and w went out to the inspectors to stop How? As always, in secret guida notes issued by the Inland Revenue.

No official attack has yet b launched on suit leasing. And it see unlikely that a Tory government, i should win the election next mon would begin by eliminating a tax br the previous Labor government let sta Nonetheless, British tailors are bus stitching together their defense. "Co panies must require their people to w these garments for business purpo only," explains Robert Bright, directo the 150-year-old Wells of Mayfair. "O 4 million workers get uniforms for th jobs. We're just dealing with the high level. Besides, if we want British ind try to get export contracts, it is v much in the country's interest for managers to dress well."

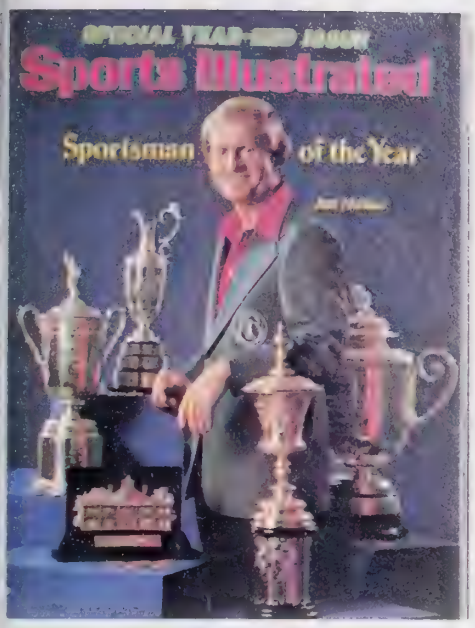
At Hilditch & Key, Alec Finch clai to have done business with nearly 1 corporate customers, and he is perha London's leading exponent clothing as an executive frin benefit. Finch doesn't wrap his guments in all-wool patriotis "Never in the past would a Jerm Street tailor have been involv with lawyers and accountants," says, "but now that takes up abo half of my time. Our system mak everybody a crook, but at least lea ing suits is better than compani fiddling the money and slippi people cash."

Could U.S. businessmen get aw with similar sartorial tax shenan gans? There's no clear answer—e cept that the lower 50% maximu rate on earned income cuts the i centive here. "You might be able deduct for a special blue 'IBM' suit says a House Ways & Means Co mittee attorney. "But for custo tailoring the whole amount ought be taxable, including rental pa ments." But a Price Waterhou accountant is intrigued: "We oug to research this, read the Supre Court cases," he says with a gli "It needs scrutiny." ■



London publisher Allen Levy checks company-owned suit
A stitch in time that saves taxes.

You want the people who want Sports Illustrated.



These are the facts. Sports Illustrated is a tremendously efficient advertising medium for reaching *men*—more efficient than the other newsweeklies, more efficient than other male-oriented magazines.

More efficient than the other newsweeklies, Playboy, Penthouse, Business Week, and The New Yorker in reaching men who are 18-49, with household incomes over $25,000. More efficient than the other newsweeklies, Playboy and The New Yorker in reaching men 18-49 owning homes worth $75,000 or more.

The fact is, 68% of the men Sports Illustrated reaches cannot be reached through any other newsweekly.

Source: 1978/1979 Simmons Market Research Bureau, Inc.

You want the people who want to read a story about Ted Turner, a millionaire sportsman who's become bigger, and a bit louder, than life. People who are bigger than life are worth knowing.

Which is what makes the 16 million mere mortals who read Sports Illustrated each week want to know exactly what makes Ted Turner loom so large.

16 million people come happily to Sports Illustrated each week because they know that our stories are written with as much style and personality as the subject they treat.

You want the people who want to look at a photograph of Jeff Lowe risking his neck on a 40 foot wall of ice. You almost want to look away from the photograph above, but you can't. Because for a second it's *you* hanging there. And your heart is in your mouth.

This photograph is a moment in time that Sports Illustrated brought back alive from the world of sport. That's another reason why people want what's in Sports Illustrated. And if your product or service is in Sports Illustrated, we think they'll want it, too.

Sports Illustrated

People want what's in it.

© 1979 Time Inc.

Just because a stock sells for less than $10 a share doesn't mean it is junk. It may be a real bargain and due for a big move.

Statistical Spotlight

Gold among the garbage?

SINCE 1974 Oppenheimer & Co. Inc.'s Norman Weinger has been using his computer to screen out stocks which are statistically cheap. An accountant by training, Weinger became intrigued with the market and switched to Wall Street. At first he lost money following tips but soon began applying his own judgment and training to stocks. As an accountant he had learned that businessmen who bought companies cheap did well, while those who overpaid didn't. So he decided to use his computer to pick out screens of cheap stocks. One definition of cheap: under $10 a share.

Weinger claims stocks "trapped" under $10 contain "gold among the garbage." That's because most institutions won't buy stocks whose total capitalization is under $100 million or under $10 per share. "The idea is anything selling that low looks like garbage, and The Street has a cliché, 'if it looks like garbage it is garbage.' " Furthermore, if a stock is under $5 a share it can't be margined and even the individual speculators won't touch it.

However, once a low-priced stock goes over $10, he says, the buyers sit up and take notice. Thus when such stocks break above 10, they tend to rise faster.

To keep the size of his list manageable, Weinger applies three criteria—all based on his experience as a practicing C.P.A.

Rule 1. All the stocks must sell under tangible book value—with all goodwill, etc., deducted. Because of inflation you can't replace most solid assets at less than double book. Buy a stock at h book and you will make a 300% gai someone tenders at replacement cost. buy a stock whose price equals liq assets and you get all the fixed ass brand name and management free.

Rule 2. Capitalization must be un $100 million. This is because he want avoid institutional competition.

Rule 3. Each stock must pay a c dividend, no matter how small. "I d care about the cash," he says. "But dir tors worry about lawsuits and few dir tors would dare okay a dividend if company were in danger."

To Weinger, the interesting aspect his under-$10 list is that it shows h Wall Street goes through fads. Once list was filled with gambling stocks cluding Resorts International Inc. a Bally Manufacturing Corp. Now it filled with construction compani REITs and retailers.

Oppenheimer's last list came out December. FORBES stiffened the Opp heimer & Co. criteria in using the b kerage house's list for our own catalog under-$10 stocks. We demanded that stock must yield at least 4% from dividend and must sell at a 1.6 ratio book value to stock price. Of the seven stocks listed below, 65 met those criteri

Not all these stocks will escape fr no-man's-land, but among those that we can safely predict there will be so spectacular gainers. ■

The bargain basement

Stocks selling under $10, under tangible book value, most yielding at least 4% and with a ratio of book value to price of at least 1.6.

Company	Fiscal year ended	Recent stock price	Tangible book value	Tangible book value/ stock price	Latest reported 12 months EPS	Price/ earnings ratio	Yield
AAV Cos	Feb '79	4¼	$ 9.26	2.18	$ .62	6.9	4.71%
Adams-Millis	Dec '78	4¾	10.40	2.19	.72	6.6	4.21
Affiliated Hospital Products	Dec '78	5½	9.71	1.77	.63	8.8	5.03
After Six	June '78	6	14.58	2.43	1.33	4.5	5.33
Alexander's	July '78	6¼	14.45	2.31	1.10	5.7	6.40
American Maize-Products	Dec '78	8	17.72	2.22	1.43	5.6	6.00
Andrea Radio	Dec '78	3½	6.16	1.76	.30	11.7	4.00
Bache Group	July '78	9	17.15	1.91	1.71	5.3	5.56
Berkline	June '78	7⅛	11.79	1.65	1.46	4.9	7.02
Bro-Dart Industries	June '78	3¾	7.09	1.89	.49	7.7	5.33
Carter Wallace	Mar '78*	7¾	12.98	1.67	.85	9.1	5.16
Clow	Dec '78	8¾	16.30	1.86	.95	9.2	4.57
Coachmen Industries	Dec '78	8⅛	13.74	1.69	2.29	3.5	7.38
Conair	Dec '78	4⅞	7.80	1.60	1.06	4.6	4.10
Courier	Sept '78	9⅞	16.23	1.64	1.83	5.4	4.86

*Based on interim tangible book value per share supplied by company.

ompany	Fiscal year ended	Recent stock price	Tangible book value	Tangible book value/ stock price	Latest reported 12 months EPS	Price/ earnings ratio	Yield
raddock-Terry Shoe	Sept '78	8⅞	$18.94	2.13	$1.60	5.5	7.44%
rowley, Milner	Jan '79	7½	24.01	3.20	.58	12.9	6.67
rown Crafts	Mar '78*	4⅞	10.08	2.07	.70	7.0	4.10
rownAmerica	Aug '78	5⅛	9.67	1.89	1.65	3.1	9.76
ellwood Foods	Dec '78	8	22.90	2.86	1.90	4.2	7.50
illingham	Dec '78	9⅜	15.66	1.67	1.04	9.0	5.55
rug Fair	June '78*	7⅞	17.57	2.23	.95	8.3	5.08
aberge	Dec '78	9⅜	18.28	1.95	1.13	8.3	4.27
airmont Foods	June '78*	8¾	15.10	1.73	1.03	8.5	8.69
arr	Dec '78	4⅜	8.12	1.86	.65	6.7	4.57
oodarama Supermarkets	Oct '78	7⅛	13.49	1.89	1.64	4.3	7.02
aran	Sept '78	7⅞	13.84	1.76	1.73	4.6	7.62
ofmann Industries	Apr '78*	4½	7.93	1.76	1.08	4.2	4.44
owell Industries	July '78	2½	6.01	2.40	.21	11.6	6.15
tl Proteins	Dec '78	6¼	13.08	2.09	1.66	3.8	4.80
tl Seaway Trading	Feb '78*	7¼	14.23	1.96	1.66	4.4	8.28
Michaels	Mar '79	5½	13.88	2.52	1.29	4.3	5.82
eller Industries	July '78	7⅞	14.72	1.87	1.46	5.4	3.81
ey	Oct '78	4½	7.65	1.70	1.08	4.2	4.40
ightolier	May '78*	9½	17.43	1.83	1.60	5.9	2.53
odge & Shipley	Dec '78	2½	4.03	1.61	.22	11.4	3.20
Michael Baker	Dec '78	4	8.93	2.23	–.38	N/M	5.00
Mid-America Industries	Dec '78	5⅞	10.42	1.77	.95	6.2	4.77
Midland	Dec '78	8½	17.55	2.06	1.98	4.3	2.35
Noland	Dec '78	9½	23.15	2.44	1.43	6.6	4.21
Norin	Dec '78	9½	20.23	2.13	3.10	3.1	4.21
Northern States Bancorp	Dec '78	8¾	16.79	1.92	.94	9.3	4.57
Oxford Industries	May '78*	9⅝	22.42	2.33	2.14	4.5	7.06
Pako	Oct '78	9⅞	17.67	1.79	–.33	N/M	4.86
Pantasote	Dec '78	4¾	8.17	1.72	.50	9.5	6.32
Penobscot Shoe	Nov '78	4⅝	9.24	2.00	.57	8.1	4.32
Pratt-Read	June '78	4⅞	7.85	1.61	.92	5.3	6.15
ProGroup	Sept '78	1¼	2.40	1.92	–.01	N/M	7.62
Realex	Oct '78	8⅛	13.78	1.70	1.95	4.2	5.91
Rexco Industries	Sept '78	4½	16.86	3.75	1.94	2.3	8.89
Rodale Electronics	June '78	8¾	14.81	1.69	.49	17.9	6.86
Roselon Industries	June '78	4¼	9.88	2.32	.88	4.8	4.71
Rospatch	Sept '78	8⅜	16.48	1.97	1.67	5.0	5.97
Ruddick	Sept '78	8¼	13.70	1.66	1.59	5.2	5.09
alant	Nov '78	6¾	15.71	2.33	1.43	4.7	5.93
hakespeare	July '78	9¼	16.29	1.76	1.51	6.1	5.62
oundesign	Dec '78	7¼	13.22	1.82	.38	19.1	5.52
techer-Traung-Schmidt	Dec '78	7½	15.77	2.10	1.85	4.1	4.00
terling Precision	Apr '78*	3⅝	5.92	1.63	.28	12.8	3.31
uave Shoe	Sept '78	3⅝	6.29	1.74	.28	12.9	5.52
un City Industries	Jan '79	4½	7.50	1.67	.08	56.3	5.56
Three D Depts	July '78	3¾	6.06	1.62	1.12	3.3	4.00
Universal-Rundle	Jan '78*	9⅝	17.67	1.84	2.15	4.5	7.48
Vaughan-Jacklin	June '78	8¼	13.24	1.60	.98	8.4	4.85
Village Super Market	July '78	6¾	12.08	1.79	2.21	3.1	8.89
Volume Merchandise	Jan '79	2⅞	6.78	2.36	.35	8.3	4.35
Wayne-Gossard	Dec '78	6½	14.92	2.30	.70	9.3	7.38
Wean United	Dec '78	5½	16.27	2.96	.91	6.0	3.68
Wellco Enterprises	June '78	4⅜	12.55	2.87	.29	15.1	5.71
Whitaker Cable	May '78*	5⅞	10.84	1.85	.95	6.2	6.81

*Based on interim tangible book value per share supplied by company. N/M: Not meaningful. Source: FORBES, recent balance sheet data supplied by companies.

Fifty-Ninth
Annual Report
1978

Witco Chemical

Financial Highlights (Dollars in thousands, except per share data)

	1978	1977	% Change
Net sales	**$751,733***	$632,412	+19
Income before Federal and foreign income taxes	**$ 60,301***	$ 43,570	+38
Federal and foreign income taxes	**$ 26,806***	$ 18,927	+42
Net income	**$ 33,495***	$ 24,643	+36
Net income per common share	**$ 3.86***	$ 2.87	+35
Dividends paid per common share	**$ 1.10⅔***	$ .97⅓	+14
Capital expenditures	**$ 51,106***	$ 29,404	+74
Depreciation, depletion and amortization	**$ 19,587***	$ 17,329	+13

*Record

"We see a company whose present goal is to reach a sales figure of $1 billion in the early 1980's with margin on sales increasing and return on shareholders' equity remaining steady at the current satisfactory levels."

"Witco is the largest producer of white mineral oils and petrolatums in the world."

"Kendall and Amalie lubricants...increased their unit sales by over 9%..."

"Last year, Witco completed 99 wells."

To see how our company produces record breaking years, send for Witco's 1978 Annual Report by writing to:

Witco Chemical Corporation
Vice President, Corporate Communications
277 Park Avenue
New York, N.Y. 10017

Witco

You'll find Witco listed on the N.Y. Stock Exchange under the symbol: WIT.

K mart will soon pass a milestone in retailing, and Sears—the nation's largest retailer—is not going to like it a bit.

The Streetwalker

K mart's fast track

SEARS, ROEBUCK Co. has been the nation's largest retailer for so long, both in merchandising volume and profits, that it's hard to break the habit of calling it number one. But some key Wall Street analysts believe Sears could be surpassed in at least one key area—merchandising profits—by the end of 1980.

The Goliath of Chicago netted about $356 million after taxes in domestic merchandising (and $921 million overall, including its Allstate Insurance and other subsidiaries) on $18 billion in sales last year. But savvy observers like Suzanne R. Holmes of Loeb Rhoades, Hornblower and Terence McEvoy of Oppenheimer think that fast-growing K mart Corp., adding its growing discount chain, has a good chance of passing Sears in retailing profits in the next two years or so—despite smaller revenues of under $12 billion.

K mart last month reported record merchandising earnings—an estimated $325 million for the U.S., Canada and Puerto Rico—on those revenues. In contrast, says Oppenheimer's McEvoy, "Sears gets roughly 60% of a total $921, billion from nonretailing." Those operations, while at record levels, are cyclical, says McEvoy, "and the up-cycle peaked in 1978 for Allstate's huge auto insurance operations."

Nor do many analysts think Sears' merchandising has permanently turned around, despite fourth-quarter earnings gains of 50%. Says one: "Sears' Christmas quarter looks good only compared with a very poor one in 1977. They should have done even better."

Says Oppenheimer's McEvoy, "The fact is, in February and March of 1979 Sears' sales were off by about 8% and 11.7%. That can't go on much longer without their having to cut gross margins to improve sales."

That, says McEvoy, and the possibility of a slowdown in the fourth quarter, could substantially slow Sears' retailing earnings recovery. McEvoy expects Allstate to wind up with moderately lower earnings. The result: Sears' overall earnings will be lucky to equal last year's $2.86 a share. Says he: "Despite its 6.1% yield, I wouldn't buy Sears. I don't feel it's accepted the fact that it's a mature retailer. Management recently indicated it intended to increase market share in the next three to five years. I think they can't achieve this without cutting into margins."

Why do McEvoy and Holmes like K mart's prospects more, even though its yield currently is about half of Sears' and it, too, would be hurt by a slowdown?

A key factor, says Holmes, "is the way K mart structured itself differently right from the start. It's still paying off today. Sears and J.C. Penney Co. typically go into regional shopping malls, with all their high costs and services. That doesn't enable them to be as price-competitive. K mart is *outside* the malls and isn't part of that higher-price syndrome. It draws because of price. That becomes increasingly important in today's inflationary environment."

Too, she says, "K mart has much less exposure to hard goods than Sears. They won't be hurt at all by insurance the way Sears will be in 1979 and 1980. So I look for about a 10% earnings gain for K mart this year and 13% over the next three to five years."

McEvoy puts it more bluntly: "Why should I pay 7 times earnings for an insurance company's earnings growth when I can buy an insurance company for 4 or 5 times earnings? True, K mart today sells for 9 times earnings. But I can see K mart's dividend doubling again in two to three years and a total return of nearly 15%, *vs.* about 9% to 10% for Sears." That's assuming Sears doesn't make a major acquisition outside of retailing that would aid its growth.

K mart can easily increase its dividend because, alone among the major mass merchandisers today, it is a generator of excess cash. It has lots of higher-margined older stores maturing and has been opening roughly 170 new ones each year. Says Suzanne Holmes: "I predicted a few years ago they would have an excess-cash problem and it will only grow. They're so big now that all but a big acquisition would be meaningless, and I don't expect one." Thus, even K mart is beginning to mature—but at a higher growth level than Sears'. So increasing the dividend may be more than an option; there may not be much choice.

Doesn't anybody have a good word for Sears at 20¾ recently (down from a high of about 60 in 1973)? Yes. Edward A. Weller, retailing analyst at New York's Sanford C. Bernstein & Co., Inc. But even Weller, who recently reported on Sears, starts out sounding bearish. Management, he admits, has been indecisive and is still doing things wrong—selling receivables at the wrong time, looking for cost savings where they may not be that meaningful—like headquarters and distribution. He thinks Sears is trying to be the Sears of the 1960s and that's impossible. "But starting next year I think Sears' earnings will be able to grow for the next four years at 12% to 13% annually," says Weller. "Allstate earnings will grow at 14% and Sears' retailing profits, at 11% to 12%."

In other words, Weller is looking ahead. Says he: "It's not that sales will grow rapidly after that—they'll grow around 7% to 8%. However, management will manage to move up retailing margins from 7% last year to over 8% by the early 1980s. That's still below the highs of around 10% in the 1960s."

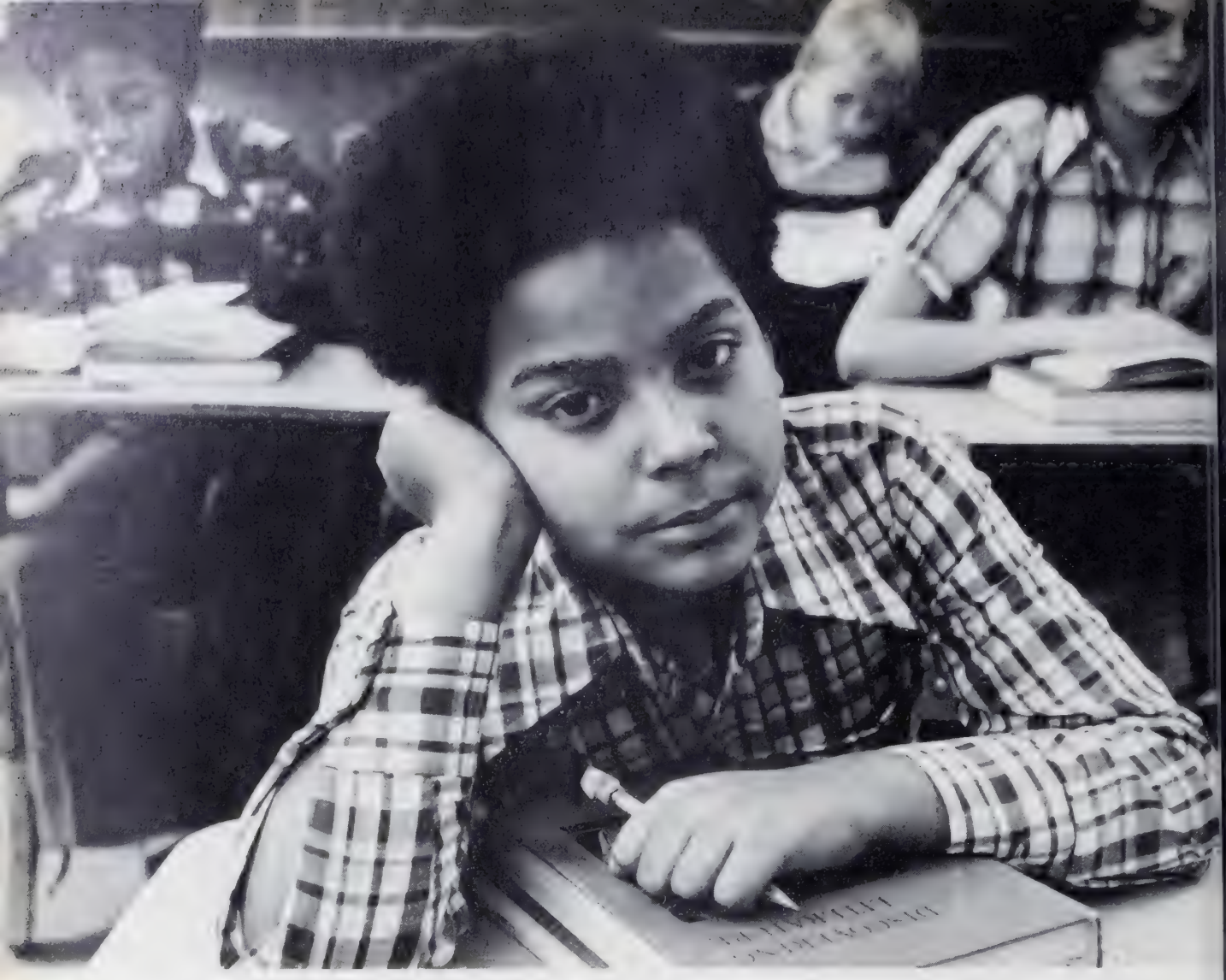
How will Sears accomplish this? Here Weller isn't very convincing and in the end admits it's partly intuition. "When everyone is that bearish on a company like Sears," says he, "it's time to look for the positives. It will take time to develop. Sears stock is only for the patient investor, but 6% [yield] isn't too bad."

Maybe. But only if inflation moderates from its 10% range and Sears shows signs it knows how to merchandise profitably in the not too distant future.

Actually, says Holmes, it won't be merchandising savvy that will help Sears' earnings next year, but declining interest costs. If short-term interest rates come down substantially, she says, Sears could pick up $75 million to $100 million in earnings, while interest costs for K mart are insignificant since it doesn't finance its receivables.

But that's a big "if," she says, "and that would only delay the day that K mart catches Sears."

Otherwise it's K mart, soon to be the new retailing earnings champion. ■



Why Johnny can't read . . .

The failure of so many of our children to learn the basics is so widespread in America today that there are thousands like Johnny who graduate from school without even being able to read.

But Jimmy and many others like him in the New Orleans Elementary Schools are learning how to read and a lot of other skills with the help of Mastery Learning Systems from Westinghouse.

Developed by educators and applied by Westinghouse engineers and systems specialists, the Mastery Learning System employs an effective combination of teaching aids, techniques and strategies – whatever is required to stimulate interest and help students learn the basics.

In addition to testing and measuring step-by-step progress, a computer system helps the teacher manage the class efficiently and inform the students how much they learn each day rather than how much they didn't learn.

and Jimmy can

Most important, Mastery Learning instills a sense of pride when the students realize they can succeed.

The system works. It works so well in their elementary schools that New Orleans is adopting Westinghouse Mastery Learning Centers™ for use in their secondary schools as well.

Mastery Learning Centers.™ Just another way Westinghouse directs its energy into helping America.

Westinghouse

A powerful part of your life.

Xomox made a bundle by spotting the potential in someone else's product and exploiting it to the full. But can it do it again?

A tough act to follow

The Up-And-Comers

Xomox Chairman Frederick A. Godley (left) *and C. Lawson Reed*
"It's a fussy product—a beautiful product to build a small company on."

SOME OF THE MOST SUCCESSFUL small companies in the country won't be among the great independent industry leaders of tomorrow simply because the guiding concepts that gave them birth don't stretch further than the minds of their aging founders. They are great companies for a season only—unless fresh entrepreneurial blood implants a new, viable reason for being.

Xomox of Cincinnati, Ohio (sales: $69 million) may be just such a company. Its hugely profitable product lines (specialty valves) are fast maturing, and new, internally generated products are painfully slow in surfacing. Its cofounders, worth at least $21 million in their own right, are approaching retirement age and have yet to resolve their estate problems. Now Xomox, like Muhammad Ali returning for one more title fight before retirement, is off searching for "synergy" through acquisitions in closely related fields. It may find that often-elusive synergy. But, perhaps more likely, someone else will come along and acquire Xomox. How much longer this superb company remains an up-and-comer is a question whose answer lies solely in the minds of its cofounders.

Frederick A. Godley and C. Lawson Reed, Xomox' cofounders (and cochief executives), owe their success not to repeated scientific breakthroughs—which, after all, are rare in most industries—but rather to painstaking everyday application engineering, aggressive marke and common business sense qui learned and deftly applied. In a hi fragmented commodity business, took someone else's new product and learned how to exploit its full po tial at enormous profit, virtually f scratch.

The lessons began early. Scarcely Godley and Reed started up their spe ty valve company back in 1956 w they were called on the carpet one da James Coombe, president of the Will Powell Co., a far larger and compe valve company from which Reed had resigned. Coombe gave them some serving "advice" that nonetheless tu out to be one of the cornerstones of t success. "Mr. Coombe gave Lawson me a lecture on pricing, which was of the very tricky things in the e days," Godley recalls. "He said, 'D ever come into the market with a product and underprice your competi All you're going to do is make him re ate, and he's in a far better position a established company to compete v you pricewise. Set your prices above Even though you may think you're m ing a very large profit on the product, because you don't yet have the overh that is going to be necessary to grow company.' It was one of the best pie of advice we received."

Had Xomox been just another gar variety valve company, like the 300 ers then in business in the U.S., it wo have been horrible advice. The World valve business, currently $4 bill a year, has been basically a commo business for years. Progress in valve sign, while significant, has proceede a glacial pace. After all, the little l valves dug up at Pompeii, which Vesu us buried in ashes in A.D. 79, look pre much the same as those we use today

For most companies in the indus then, Coombe's advice would h amounted to the usual threat a big co pany gives a small company—don't to undercut *me* . . . or else!

But Xomox was different. Xomox l a superior product, particularly well s ed to the then-booming petrochemi industry. Godley and Reed had spotte new valve design, invented by a n named Deas Sinkler, at a chemical ind try trade show in Philadelphia. The va was an ordinary plug valve, one of oldest types of valves in existence. A p with a hole in it is inserted into a ca alloy body. One-quarter turn and valve is alternately open or sh Sinkler's innovation was to insert a T lon sleeve into the body before insert the plug into the sleeve. To Godley a Reed, then in their mid-30s, this offe the promise of more complex inter configurations (because the Teflon sle could be molded into shapes it wo have been very costly to achieve throu

achining), no need for lubrication (because Teflon is a constantly slippery surface) and, most important, access to the burgeoning petrochemical market (since Teflon, a tough fluorocarbon, is inert in the presence of corrosive chemicals like hydrochloric acid).

"It was a beautiful product about which to build a small company because it's a fussy product," says Godley. "If you like that Teflon and just insert it in here, the normal expansion and contraction that occurs with changes in temperature would soon cause it to leak. We reconditioned the Teflon sleeve so that it will 'flow' the way we want it to flow with changes in temperature. We provide expansion spaces for it. That's what we got our patents for."

But that's hardly the kind of advantage one could expect to exploit profitably for over 20 years. After all, Sinkler had taken earlier versions of his idea to the competing Duriron Co. And E.I. Du Pont was aggressively offering technical assistance

was hardly the kind of advantage one could expect to exploit profitably for over 20 years. After all, Sinkler had taken earlier versions of the idea to competing Duriron Co.

the use of its new material, Teflon, to all comers.

But Godley and Reed were hungrier than most of their potential competitors. "The big companies, like Crane's valve division, the William Powell Co. or Lunkenheimer, weren't sure this product was here to stay," says Godley. "Also, their people didn't *want* to get into it. It was too much trouble. There was a sizable investment in molds and plastics."

Starved for capital even more than most startup companies, Godley and Reed spent all their money on marketing and product development—subcontracting everything else. Reed focused on product development and eventually manufacturing in Cincinnati, Godley on marketing in New York City. The arrangement, which continues, worked surprisingly well. The two have been good friends since their school days at Hotchkiss and Yale and have uniquely complementary talents and personalities. (Their wives, who also went to school together, even managed to get pregnant simultaneously.) One of the fortunate by-products of this separate but equal partnership was a weekly stream of detailed status reports that provided their banker, Central Trust Co. of Cincinnati, with a superb information flow. "He knew as much about the company as we did, really," says Godley. The banker liked what he saw.

Enter the Coombesian pricing strate-

Plane English.

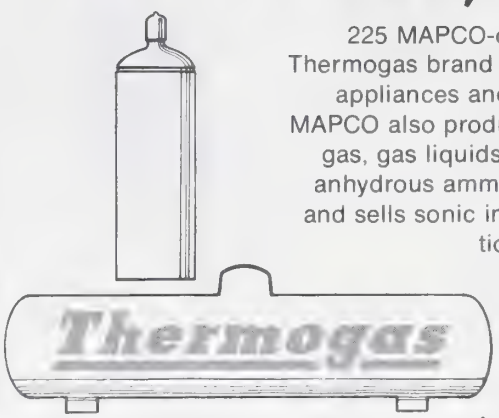
Fly to Britain on British Airways. It's simply plain sense—and there's never too much of that—because we have the most flights from the U.S. to Britain. Also, we can fly you on from London to more than 80 cities in Europe and the Middle East. And if you're just plain frantic to cross the Atlantic, we'll fly you from New York or Washington to London in 3½ hours in our fancy Concorde.

Avoid complications. Call your Travel Agent, Transportation Department or British Airways. Tell them Robert Morley says it's plain madness to consider aught but flying British Airways.

British airways

We'll take more care of you to Britain, Europe, the World.

MAPCO IS LP-GAS, BUT...



225 MAPCO-owned and distributor-owned Thermogas brand retail LP-gas outlets also sell appliances and liquid fertilizer in 11 states. MAPCO also produces and markets oil, natural gas, gas liquids and coal, operates LPG and anhydrous ammonia pipelines, and produces and sells sonic instrumentation devices, filtration equipment and other water pollution control products.

For a closer look at MAPCO's diversification and profitable growth, write for our current report.

mapco INC.

Dept. P, 1800 S. Baltimore Ave.
Tulsa, Oklahoma 74119
SYMBOL MDA • NYSE
MWSE • PSE

American Brands, Inc.

295th COMMON DIVIDEND

A regular dividend at the increased rate of One Dollar and Twelve and One Half Cents ($1.125) per share has been declared upon the Common Stock of AMERICAN BRANDS, INC., payable in cash on June 1, 1979, to stockholders of record at the close of business May 10, 1979.

Checks will be mailed.

C. A. MEHOS, *Vice-President—Finance*
March 27, 1979

The American Tobacco Company
GALLAHER LIMITED
The Franklin Life Insurance Company
James B. Beam Distilling Co.
Master Lock Company
Wilson Jones
Swingline INC.
Sunshine Biscuits, INC.
ACUSHNET COMPANY
THE ANDREW Jergens COMPANY
ACME VISIBLE RECORDS, INC
American Cigar
W. R. CASE & Sons Cutlery
DUFFY-MOTT COMPANY, INC.

AMERICAN BRANDS, INC., 245 PARK AVENUE, NEW YORK, N.Y. 10017

Handsome slip cases that hold a full year of Forbes

You can stop Forbes getting limp, dog-eared or lost by keeping your copies in this sturdy slip case—big enough to hold a year of Forbes magazines.

Crafted by hand, the case is bound in black grained simulated leather with a contrasting red spine. The Forbes title is boldly embossed in gold. Enough gold transfer foil is included for adding the volume and year you wish.

TO: Jesse Jones Box Corp., Dept FB, P.O. Box 5120, Phila., Pa. 19141

Please send me____Forbes Slip Cases. My check for_____is enclosed. Prices: $4.95 each, 3 for $14, 6 for $24. (Postage and handling included.) Orders outside U.S., add $1 per case for postage and handling.

Name_____
(please print)

Address_____

City_____ State_____ Zip_____

Please allow 4 to 6 weeks for delivery.

gy: Price above the competition. Xom which has enjoyed a stunning 29.6% erage return on equity for the past f years, has the signal distinction of h ing been about that profitable right fr the start. "It's what you absolutely m have," says Godley, "to provide you w the working capital to grow a compan

To be fair, the two engineers had m than a little help from their friends, n bly E.I. Du Pont. "We leaned very heav on them in the beginning," says Godl "I remember we were calling on Army Chemical Center and we hac doubting Thomas who wouldn't beli a lot of things about Teflon. Well, Pont had said, 'Any time you wan reference, feel free to refer people to t telephone number.' So we gave the low this number. Mr. Irénée du P answered the phone. He happened to an application engineer in that divisi Our doubting Thomas was absolut overwhelmed by this response." God got the business.

"Du Pont had said about T lon, 'Feel free to refer peop to this telephone number.' we gave the number to doubting Thomas. Mr. Iren du Pont answered the phone

But Reed and Godley were innovat in their own right. They started expc ing, for example, within two or th years after starting the company. "La son had grown up in Switzerland and h a good command of German and Fren and I had some French," says Godl "and we decided that there was an ava able market abroad. The internatio market was a little bit behind the U then, so we were really able to get in the ground floor. Our competitors w not there." So, almost from the sta Xomox typically got roughly half of sales from overseas—the more profita half, at that. "It's meant that we've be able to grow far faster than we wou have if we'd just been in the U.S. m ket," says Godley.

Modest, meticulous men by nature, seldom occurred to Reed and Godley look beyond the potential of that Tefl sleeve plug valve. "There are just infin variations of this design," says Godl affectionately poking his pencil into t guts of a Xomox valve. Sinkler depart shortly after they got under way, to pu sue other ideas. Godley and Reed scar ly noticed. "He was off in ten differe directions," says Godley. "We had c hands full with this. It was just a matt of exploiting a good idea. We started making these in small designs up to inches. Then we went step by st through the 4-inch, 6-inch, 8-inch, 1 inch and 12-inch sizes—all the sar

When you can isolate your best international prospects

It really is a small world

Whether your marketing program dictates the broadest possible coverage, or the pinpoint accuracy of market-by-market advertising, the regional editions of Newsweek International bring the cream of the international business community to the top.

You can select the precise geographic areas where your sales opportunities exist: all of Europe; the Common Market only; East Asia, excluding the Philippines; just Korea...There are 47 regional editions available, allowing you to direct your advertising messages to the precise audience you need.

As our circulation grows (faster than any other international medium) our high-profile demography holds—even climbs. That means you reach more people who are real prospects; and you increase your efficiency by concentrating on the regions you need.

It's a unique combination...high-prospect density the world over... pinpoint editions to eliminate waste.

Both in an atmosphere of editorial authority and impact.

You find it in one magazine.

ONLY

THE INTERNATIONAL NEWSMAGAZINE

SALES OFFICES: New York • Chicago • Los Angeles • San Francisco • London • Amsterdam • Frankfurt/Main • Geneva • Paris • Rome • Hong Kong • Manila • Sydney • Tokyo

concept but each with different designs and different problems. At one point we had several thousands of models."

The shoemaker didn't *always* stick to his last. Godley and Reed also heard the siren calls of diversification and synergy in the Fifties and Sixties. "At one point we went into marketing, with the hope of later manufacturing, a mist eliminator—a specialized filter developed by Monsanto to filter out micron-size particles. We had visions of being in everybody's fallout shelter because it could eliminate dust particles from the air. It turned out, however, that the product had not been developed to the point we had been told it had and so we turned it back to Monsanto."

There were also plenty of offers of "assistance." "I guess the hardest thing over the years was to say no," says Godley of all the merger offers Xomox has received. "In the early days a company came to us and offered to market our product. At that time we were doing only half a million dollars and they offered to guarantee a volume of several million if we would give them exclusive marketing rights in the U.S. It was awfully attractive but we realized that we would be giving away our company. There were many such decisions."

But Godley and Reed have their problems. Xomox, not even 25 years old as a company, already has a maturing product line. "There's no question about that," Godley freely admits. "Our patent position is fairly strong but keeping ahead of the pack is becoming harder. There's a motive for diversifying and acquiring other companies."

Xomox already has a maturing product line. "There's no question about that," says Godley. "Our patent position is fairly strong but keeping ahead of the pack is becoming harder."

Earlier attempts at diversification have proven tougher to pull off than expected, however. In 1970, for example, Godley and Reed decided that automation was upon them and that actuators—powering devices for valves, typically pneumatic—looked like an attractive market. "We had this new idea for a vane-type actuator, a very simple but (again) fussy, difficult-to-make product—actually a paddle between two identical clamshell housings. Developing this took us far longer than we ever anticipated but it's proven to be an excellent product and one that we're really starting to exploit."

Xomox also has a small medical products business, an industry the company has been flirting with for years. It developed an artificial heart valve but abandoned it for lack of engineering time marketing ability. Du Pont brought mox an artificial hip-joint product which needed Xomox' Teflon knowl and that in turn, through personal tacts, led to a business making bone stitutes for the middle ear. It's gro rapidly but Godley says he's deba what to do with it.

What interests Godley at the mor is $17 million (sales) Atwood & Mc (A&M), which Xomox bought last from Foster Wheeler. A&M m valves big enough to walk through both fossil fuel and nuclear power pla "They're in the high-temperature, h pressure applications that complem what we're doing in the low-pres end," says Godley. "They're a l bit lower than our overall profitab but we feel it's the kind of situa that can be brought up." He's sc nizing other possible acquisitions the fluid flow area "for product market synergism."

Familiar words those, and a fam cause. Today Godley and Reed are b 59. Estate problems? "It's always a p lem one worries about," Godley rep "The solution is as yet undetermin Would Reed and Godley sell out if right offer came along? "Yes, it's po ble," Godley replies quietly. Then adds quickly, "But this company is for sale." **—Geoffrey Sm**

"That's a Butler building?"
Yes, that is a Butler building.
In fact, you probably see beautiful Butler buildings all the time and don't know it.
Because Butler buildings offer total design flexibility and can be as tasteful and dramatic as any building.
Yet, they also give you all the important time and money savings of systems construction.
To learn more about energy-saving Butler buildings, call the local independent contractor who can build one for you. See "Butler Mfg. Co. Builder" in the White Pages. Or write Butler Mfg. Co., Dept. B-397, BMA Tower, Kansas City, Mo. 64141.
BUTLER

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

New Issue

1,400,000 Shares

Class A Common Stock

($5 par value)

Newrail Company, Inc.

formed to acquire and continue the business of:

The Western Pacific Railroad Company

Price $10 Per Share

Copies of the Prospectus may be obtained in any State in which this announcement is circulated from only such of the underwriters, including the undersigned, as may lawfully offer the securities in such State.

Bear, Stearns & Co.

Bache Halsey Stuart Shields Incorporated

The First Boston Corporation

Blyth Eastman Dillon & Co. Incorporated

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

Goldman, Sachs & Co.

E. F. Hutton & Company Inc.

Kidder, Peabody & Co. Incorporated

Lazard Frères & Co.

Lehman Brothers Kuhn Loeb Incorporated

Loeb Rhoades, Hornblower & Co.

Merrill Lynch White Weld Capital Markets Group Merrill Lynch, Pierce, Fenner & Smith Incorporated

Paine, Webber, Jackson & Curtis Incorporated

Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker

Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

Robertson, Colman, Stephens & Woodman

L. F. Rothschild, Unterberg, Towbin

Shearson Hayden Stone Inc.

March 29, 1979

Eltra Corp. seemed headed for trouble when it got its comeuppance in two major product lines. But the worst seems to be over.

How to succeed by failing first

YOU'VE SEEN IT HAPPEN again and again: The historic leader in a product area goes to sleep at the switch, and upstart rivals move in on the strength of a technological development or a marketing change.

So it was with New York-based Eltra Corp. Its biggest single area is electrical products, which in the last fiscal year (ended Sept. 30) accounted for 71% of its just over $1 billion sales and 65% of its $48 million net. The largest single unit in electrical products is Mergenthaler Linotype Group, which has been taking its lumps for years now. Mergenthaler once totally dominated the typesetting business with its so-called hot-lead machines, but it was slow to develop "cold-type" computer typesetting systems to which newspapers and magazines have been switching in recent years because they are cheaper and easier to use. So Mergenthaler soon found itself sniped at by fast-moving but smaller competitors like newcomer Compugraphic.

A second major Eltra operation—and virtually its only one in consumer products—is sneakers. Eltra got into that game when it bought Converse Rubber Co. in 1971. At the time, it was the largest maker of athletic shoes with sales of $60 million. By 1974 those sales spurted to $164 million, boosted in part by a portion of the B.F. Goodrich footwear division, which was bought in 1972. But then foreign manufacturers like Puma, Adidas and Nike ran away with the fast-growing new market for quality rubber footwear used for both running and street wear. By fiscal 1977, Converse's sales had dipped to below $130 million on which it was making a puny 0.8% margin after taxes.

So Eltra, with two of its largest operations in hot water, was obviously in trouble itself, right? Wrong, because of the way the company responded. Mergenthaler was indeed slow to develop a computer typesetting system. But in due course it brought out its own, which it proceeded to market with its matchless marketing knowledge of the field. Soon Mergenthaler was getting some 75% of its sales from overseas, much of it through British and German subsidiaries, both of which supply a foreign market that is growing by 20% to 25% a year. Now Mergenthaler is starting to pay more attention to the U.S. domestic market, growing at about 10% a year.

Chairman Jack Keller (left) and President Dick Loynd of Eltra Corp.
Protecting their turf in a changing marketplace.

"We've probably reached a peak on growth rate but not on total market," says Joseph A. (Jack) Keller, Eltra's 60-year-old chairman, who was Mergenthaler's president when he was 39. "There are really two [domestic] areas to look at: the replacement market for big installations looking for second-generation equipment, and the smaller newspapers, design studios, and so forth, which in numbers is a terrific market. There's a lot of virgin territory there."

As for the Converse operation, Eltra has been selling less and enjoying it more. "We have designed several new shoe lines t the new style and market for qua shoes," says Eltra President Richard Loynd. "We're not going to be in the end of the business. It just doesn't m any sense for us." It does not, w Converse already has 26% of the qua (more than $10 a pair) athletic shoe m ket, plus an impressive 54% of the bas ball sneaker market. The new line training and running shoes, at $25 to $ pair, could capture perhaps 10% of market. The margin in Converse's s business, while still relatively low, nea doubled between fiscal 1977 and 1978

The result of Eltra's efforts in its t problem areas can be seen in its figu for fiscal 1978: per-share earnings 12% over the preceding year on a 10 gain in sales.

Not quite all that improvement is tra able to computer typesetting and sne ers: Eltra also has had some successful n ventures, such as the manufacture of rect-current motors in England. " asked our customers here who have op ations in Europe if they'd be able to use motors in the products they make o there," says 51-year-old Loynd. "Th said they'd like to, and now that operat is reaching a respectable size."

For the next few years, Keller and Loy have set three major goals for the co pany. One is to incre electrical products sale a percentage of t sales—a result of Eltra's lief that electricity is energy form of the fut because of the diversity fuels from which it can generated. The second g is to achieve at least a 1 average annual growth earnings per share m sured over any five-year riod. The third is to br return on equity up to 1

The first of th goals—raising the p centage of electrical pr ucts sales—is a pres fact. The second, a five-year average 10% or better gains in earnings share, is still in the balance, though year's 12% gain could be a start. A finally, return on equity improved year but was still only 13.4%.

Notably missing from the goals sales targets. "We want the flexibility take a step backwards," says Keller, ing Eltra's willingness to slash the end of Converse's shoe business. " just decided, the heck with our egos being a $2 billion business," says Loy "That's not what makes us run. We got other targets."

What to do when those are met? " other ones," says Loynd. "They'll h to be tougher and different. You ca manage without them." ■

THE 1979 FORBES ANNUAL REPORT ADVERTISING SECTION

This special section contains a wealth of information which is available free to FORBES readers.

A basic principle for successful investing is the careful analysis of the wealth of information contained in company annual reports. These corporate reports provide one of the most detailed and authoritative sources of information on a company's performance over the past year. The annual reports from the companies participating in this section can be a tremendously valuable tool for sound investment planning.

This special FORBES Annual Report Advertising Section makes it easy for you to obtain as many of these reports as are of interest to you without obligation. Simply circle the numbers of those companies that interest you on the postpaid card provided. FORBES will process all requests and forward them directly to the companies involved, who will send you their annual reports directly. Please allow a reasonable amount of time for processing.

AMP Incorporated

Over a 15% annual growth rate in sales, earnings, and dividends for more than 20 years. 1st Quarter 1979 shows strong gains.

	Sales (Mil.)	E.P.S.	Div.*
1978	$801.1	$2.67	60¢
1977	633.0	2.06	48¢
1976	522.0	1.40	41¢
1971	239.6	66¢	21¢
1966	141.8	41¢	10¢

*Increased to 76¢/share Jan. 1979.

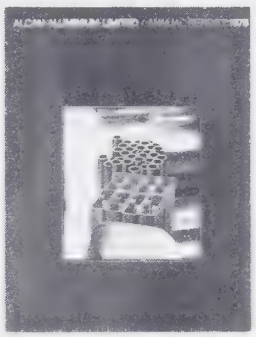
Broad Diversification—World's leading producer of electrical/electronic connection, switching and programming devices—60,000 types and sizes. 85,000 customers (manufacturers, distributors, retailers, utilities, transportation field, etc.). Subsidiaries in 19 countries. (NYSE-AMP).

1

Ætna Life & Casualty

Ætna Life & Casualty—largest investor-owned insurance organization in U.S., with interests also in business financing, real estate development and investment management. 1978 earnings reached a new high of $518 million or $9.58 per share on revenues of $9.5 billion. Assets and shareholders' equity grew to $24.3 billion and $45.42 per common share, respectively. Annual dividend per common share increased to $2.70 with May 15, 1979 payment; and a three-for-two split of common stock proposed for approval at annual meeting April 27.

2



Alcan

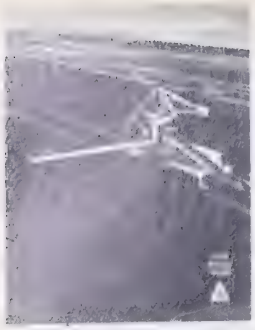
1978 was a record year for the Alcan Aluminium Limited group of companies, with total revenues increasing by 22 percent to $3.738 billion, and profits up 43 percent to $289.4 million. Earnings benefitted from higher sales tonnages, better prices, near capacity operations at smelters in Canada and other countries, and good performances in most of the worldwide fabricating operations. Strong gains were posted in sales of both ingot and semifabricated products.

3

Allegheny Airlines, Inc.

ALLEGHENY AIRLINES reported record earnings for the third consecutive year. Net earnings of $32,304,000 for 1978, including equipment gains and tax credits, were the highest in the company's history, more than double the earnings for 1977. Total operating revenues were $566,754,000, an increase of 15% over 1977. In 1978 ALLEGHENY extended its route system to key areas of the Sunbelt with the introduction of service to Houston, Orlando, Tampa and West Palm Beach. Additional new services have been implemented early in 1979.

4



Allis-Chalmers Corporation

A special machinery company that provides equipment for use in the processing of solids, liquids and gases . . . agriculture . . . material handling . . . lawn and grounds maintenance and snow removal . . . and electrical applications by industry and utilities. 1978 was the seventh consecutive year of sales and earnings growth. Per share earnings: a record $6.18. Sales: $1.762 billion. Current dividend rate: $1.70 annualized.

5

Allright Auto Parks, Inc.

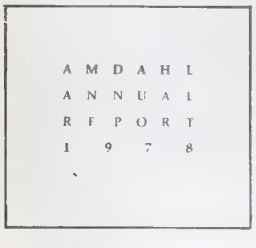
Allright Auto Parks, Inc. (NYSE) the world leader in the parking industry is adding to its profitable operating real estate holdings at a record pace. Fiscal 1978 showed 39% increase in parking profits, continuing quarterly cash dividends and second consecutive year of additional 10% stock dividends. First six months of fiscal 1979 show profits 50% higher. A unique company worth looking at.

6

Amcord, Inc.

Revenues and earnings, paced by cement and metal building operations, reached all-time highs. Earnings per share were $3.10, an increase of 47 per cent over $2.11 for 1977. Net income rose to $22,358,000 compared to $15,758,000 for 1977. Total revenues for 1978 were $289,875,000 compared to $255,579,000 for 1977.

7



Amdahl Corporation

1978 was another outstanding year for Amdahl. Operating income grew 82% on a 70% improvement in revenues. The worldwide installed base of Amdahl computer systems more than doubled. New hardware and software products were introduced and spending on future product development more than doubled.

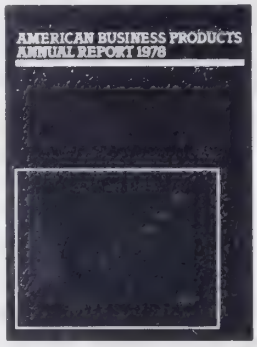
	1978	1977	% Change
Revenues (000)	$320,917	$188,808	70%
Net Income *(000)	$ 48,188	$ 26,539	82%
Earnings per share*	$ 2.81	$ 1.62	74%

*1977 amounts are before extraordinary credit and cumulative effect of change in accounting for leases, and per share amounts are adjusted for a two-for-one stock split in April 1978.

8

American Biltrite Inc.

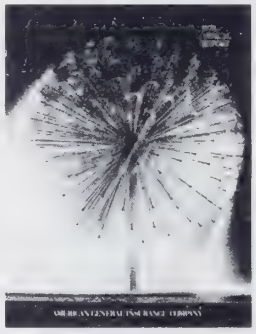
American Biltrite Inc., which w founded 70 years ago, produces fo wear products, floor coverings and dustrial rubber and plastic produc Operating revenues for 1978 were $1 million and income from operatio was $6.3 million.



American Business Products, Inc.

ABP, one of the nation's leading pr ducers of business supplies printin had the highest sales and earnings its history in 1978. Sales increas 12.6% to $133.4 million, while n income rose 30.8% to $5,007,331 $1.34 per share. Dividends have be paid every year since 1941, and ha been increased for 22 consecuti years. AMEX Symbol: ABP

1



American General Insurance Company

American General is the nation's 12 largest diversified financial servic company. It operates through thr business divisions: life and health i surance, property/liability insuranc and financial services. 1978 marke the third consecutive year in whic new highs were recorded in operatin results. Earnings from operations 1978 were $148.9 million, or $5.14 p share, up from $4.14 the previous yea

1

American Motor Inns, Inc.

American Motor Inns, Inc. is the lar est franchisee of Holiday Inns, opera ing 54 in 10 states from Maine t Florida and the U.S. Virgin Islands. It wholly-owned subsidiary, Universa Communication Systems, Inc., is on of the largest companies in the tele phone interconnect field (15% AMI's income). Net earnings were th highest ever: $3,797,000 or $1.53 pe share on revenues of $95,282,000 i fiscal 1978.

1

AMETEK, Inc.

A diversified manufacturer of industrial materials and equipment—and a leader in aircraft, automotive and industrial instruments, appliance motors, winery and other process equipment—AMETEK reported sales of $321 million in 1978. Income, a record for the seventh consecutive year, was up 13% to $19.4 million or $3.70 per share. In 1978 AMETEK continued its 29-year record of dividend increases, now paying $1.80 per share, a 6% yield on its 5.3 million shares which were recently trading in the $30-31 range. (NYSE Symbol—AME)

13

Anacomp, Inc.

Anacomp, Inc., Indianapolis-based computer service company, currently serves more than 15,000,000 customers worldwide through over 300 financial institutions and government agencies which utilize its software services, facility management, data services, and micrographics products. Fiscal 1978 revenues of $21.6 million bring the Company's annual compound revenue growth rate since 1969 to an impressive 76.49%. Net income of $1.6 million resulted in Fiscal 1978 earnings per share of $.85. ANCM–NASDAQ

14

Argonaut Energy Corporation

Argonaut Energy Corporation is a young fast-growing oil and gas production company. Argonaut's primary areas of exploration have been the Texas and Oklahoma Panhandles, northwestern Oklahoma and western Kansas. Multiple objective prospects in these areas afford low-risk opportunities with favorable economics for investment. During fiscal 1979, Argonaut's exploration effort also expanded into several new geological areas, for example the Company's Barkie #1 well in the Williston Basin of North Dakota.

15

The Arizona Bank

In 1978, for 17th consecutive year, The Arizona Bank reported new highs in earnings per share. The bank, with 81 branches throughout the state, ranks 90th in size among nation's 14,700 commercial banks. Market share has risen for 14 consecutive years in rapidly growing Arizona. Annual increases in earnings per share have averaged 14.8% over past decade. Dividends have been boosted in ten of last eleven years.

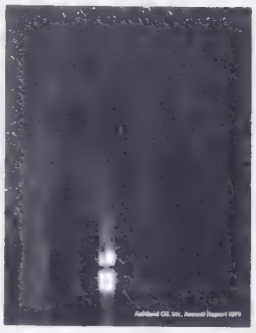
16

Arkansas Best Corp.

A motor freight carrier that is among the nation's 10 largest . . . a furniture manufacturing complex with 6,000 dealers in 50 states, Canada, and Western Europe . . . truck tire retreading . . . computer services . . . a 21% increase in 1978 revenues . . . an annual report that tells the complete story . . . (NYSE Symbol: ABZ)

	1978	1977
Operating Revenues	$205,500,000	$169,200,000
Net Income	8,900,000	7,400,000
Net Income Per Share	2.34	1.96
Cash Dividends Per Share	.57	.51
Stock Dividend Per Share	5%	–

17



Ashland Oil, Inc.

Ashland Oil, Inc. is in the process of implementing a planned program of corporate reorganization designed to strengthen the company financially and assure that all operating divisions have high cash generation capability and/or high growth potential. Working from a strong base in petroleum refining and marketing, specialty chemicals, road construction and coal, Ashland had fiscal 1978 revenues of $5.4 billion and reported net income of $245 million. Write for the 1978 annual report, which describes in detail the corporate reorganization, and for the six-month report, which provides an update on corporate activities through March 1979.

18

Baldor Electric Company

Baldor's business is converting electrical energy to mechanical energy through the marketing, design and manufacture of energy-efficient, competitively priced industrial motors. 1978 was a record year: sales $120,104,940, up 27% over 1977; earnings $2.10 per share, up 47%. Return on average equity 29%. Report highlights plans and forecasts for 1979 and 1980, also reviews policies and marketing strategies. AMEX symbol "BEZ."

19

Barnes Group Inc.

World's largest springmaker and leading national distributor of consumable repair and replacement parts completed its seventh consecutive year of record sales and earnings in 1978. Earnings increased 25% to $16.3 million on sales of $364 million, up 26% over the previous year. Per share income rose to $3.60 from $2.88 in 1977. The addition of Globe Distribution provided a new element of diversification and opened up significant new growth opportunities.

20

Basic Resources Corporation

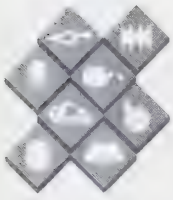
Basic is a diversified corporation active in manufacturing, leasing, printing, publishing and oil & gas. Earnings from continuing operations have expanded rapidly since 1974 at a compound annual growth rate of 84%. '78 results compared with '77 were: Revenues $24.2 million, up 62%; net income $1.8 million, up 174%; net per share 29¢ up 164%. '78 net includes $426,000 (.07¢ per share) tax benefit of subsidiary's NOL carry forward.

21

Beech Aircraft Corporation

Beech Aircraft manufactures corporate and business airplanes, as well as defense/aerospace products. After six straight years of record-breaking growth Beech has reported its best first quarter ever. Total sales exceeded $527 million in 1978, up 26% over 1977. Net income totaled over $35 million, a 39% increase. Primary earnings per share were $3.14, up 35%.

22



Bliss & Laughlin Industries

The matrix of building blocks on the cover of the 1978 Bliss & Laughlin Annual Report devotes a segment for each major Company product, creating an image for the "niche" business diversification concept developed by management to achieve profitable growth, higher dividends, and continued financial and operational strength. A comparison of 1978 and 1977 operating results demonstrates the continued success of the diversification program: revenues $258MM (up 26%); net income $13MM (up 20%); fully diluted earnings per share $2.28 (up 23%); dividend rate $1.00 (up 96% since 1972 under present management).

23

Bucyrus-Erie Company

Record net earnings for the seventh consecutive year were reported by Bucyrus-Erie Company, one of the world's leading manufacturers of surface mining and construction equipment. For 1978, net earnings were $54.3 million compared with the previous record of $52.4 million in 1977. Net shipments in 1978 were $523 million, second only to last year's record $547 million.

24

Callahan Mining Corporation

Callahan owns the second largest U silver mine. Earnings rose 51% in 197 to $1.26 per share principally becau of higher prices for silver sold. Conti ued strong silver prices should furth increase Callahan earnings in 197 Callahan is also engaged in manufa turing, explores for other selected mi erals, and participates in oil and g exploration domestically and in t Canadian Arctic Islands.

2

Carson Pirie Scott & Co.

Carsons is one of the nation's olde retailers in one of the world's busie retail markets. Over the past fo years, we've increased net earnings b 79.4% and earnings per share b 92.3%. We've had 7 consecutive reco years. And we're still growing.

	—In Millions—		
	Sales	Earnings	EPS
1978	$412.1	$12.2	$3.50
1977	388.1	11.2	3.23
1976	360.7	9.7	2.82
1975	342.0	8.3	2.30
1974	332.0	6.8	1.82

2

The Charter Company

Revenues exceeded $2 billion durin 1978, Charter's 15th year. Earnings pe share increased 17%; stockholders' e uity continued 11 years of uninterrup ed growth; return on stockholders' e uity has averaged 15% in the last years. Charter's primary revenue an asset base is in the petroleum industr with additional operations in commu nications and insurance.

2

Chesebrough-Pond's Inc.

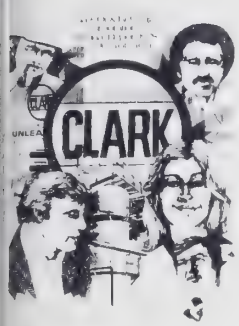
For 1978: Sales $970 million, up 20% Net Profit $69.7 million, up 16%. Earnings Per Share $2.16, up 16.1%. 23rd consecutive year of record sales and earnings.
For 1979: 97th year of uninterrupte dividend payments; 20th consecutiv year of dividend payment increases. Principal brand names: Ragú, Adolph's, Health-tex, Bass, Weejuns, Vaseline, Pond's, Intensive Care, Cutex, Rave, Cachet, Aviance, Prince Matchabelli, Q-tips and Aziza.

2

Chieftain Development Co. Ltd.

Actively engaged in exploration for and development of natural gas and oil in the Deep Basin and Foothills areas of Alberta and British Columbia, and in the United States, Chieftain participated in a record 104 wells in 1978. Results included 54 gas wells and one oil well. Proved natural gas reserves increased to 262 billion cubic feet. Record revenue ($39,673,000), cash ow ($12,564,000), and net income ($5,718,000) were reported. isted: ASE, TSE, MSE.

29



Clark Oil & Refining Corporation

Clark is an independent refiner/marketer operating in 13 Midwestern states. In 1978, sales reached $985 million. The company operates 1,820 service stations, owns two refineries and has interests in several common carrier pipelines. Clark also manufactures and sells petrochemicals and produces some crude oil and natural gas.

30

Clausing Corporation

Clausing Corporation operates three diverse businesses. The Plastic Engineering Group produces molds and custom plastic products. The Industrial Distribution Group distributes metal-cutting lathes and drills for industry and the Special Products Group manufactures and distributes home workshop tools. Net income per share was $2.42 in fiscal 1978, compared to $2.00 in fiscal 1977. The present quarterly dividend is $0.33 a share.

31

Colonial Penn Group, Inc.

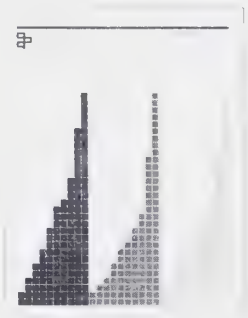
"Colonial Penn Group, Inc. reported record revenues and earnings in 1978. This marks the 16th consecutive year in which the company has reported gains in both of these important measures of performance. Every major segment of the business produced record revenues, resulting in a consolidated growth rate of 17%."

32

Colt Industries

Colt Industries had the best year in its history in 1978. Earnings were up 25 percent on a 19 percent increase in sales. New highs were established in sales, earnings, earnings per share, and order backlog. The breadth and balance that have been built into the company's earnings base are the strength behind the record 1978 performance and the most important of the company's strengths for the future.

33



Community Psychiatric Centers

Community Psychiatric Centers is engaged in two lines of business: the development, ownership and management of acute psychiatric hospitals and a rapidly expanding chain of artificial kidney treatment centers. NYSE symbol: CMY.

Earnings per Share

1974	1975	1976	1977	1978
$.51	$.63	$.76	$1.17	$1.65

34

Computer Sciences Corporation

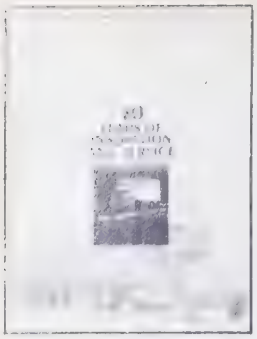
CSC is a leader in the worldwide markets for network time-sharing services and computer-communications technology. Fiscal 1978 was the third successive year of record profits. For the current fiscal year, ended March 30, 1979, revenues and profits are expected to exceed those of fiscal 1978, which were $277 million and $13.9 million, or $1.00 a share, respectively. NYSE Symbol: CSC.

35

Computervision Corporation

Our business is increasing the productivity of industry. As leaders in the computer aided design, manufacturing and production automation industries, our sales are growing at a rate of 50% per year and our earnings even faster. 1978 was a record year with sales of $72 million, and earnings over $5 million. With over $26 million of equity, Computervision is in an exceptionally strong financial position to achieve its growth plans and outperform its competitors.

36



Consolidated Freightways, Inc.

1978 was another record year for CF, with revenues up 26% to $1.4 billion and earnings up 18% to $62 million, or $4.82 a share. Principal growth results from our dual leadership in America's dominant mode of transportation—trucking. We build the famous Freightliner heavy-duty line of diesel trucks, market Volvo trucks, and operate the most extensive motor freight system in North America.

37

Consolidated Natural Gas Company

Consolidated is a fully-integrated natural gas system involved in exploration, production, transmission, storage and distribution. Current supply position is particularly strong due to an exceptionally diverse base of sources. 1978 net income reached a record of $115.9 million, or $5.74 per share. The dividend has been increased to an annual rate of $3.00 per share.

38

Consolidated Papers, Inc.

Record sales and earnings reached in 1978. Sales up 16% to $387,280,356 and earnings rose 65% to $43,871,705. Dividends, paid consecutively since 1934, increased to $2.70 a share in 1978 from $1.90 in 1977. Dividend of 75¢ a share paid first quarter, 1979. Consolidated is the largest producer of enamel papers for the printed communications industry.

39

The Continental Group, Inc.

The Continental Group is the world's leading manufacturer of diversified packaging products with business interests in natural resources and financial services. In 1978, the Company continued to put heavy emphasis on new products, new processes, and new markets as the base for accelerated earnings growth in 1979 and beyond. Dividends in 1978 amounted to $2.20 per share of common stock. The Company has paid continuous dividends since 1923. In every year since 1942, the dividend has either equaled or exceeded that of the previous year.

40

Cronus Industries, Inc

For 1978, Cronus Industries post sales of $114.1 million, net income $3.8 million and fully diluted earnin per share of $1.47. These compa with 1977 sales of $32.6 million, n income of $827,000 and per sh earnings of $.37. Its heat trans equipment unit and pre-engineer metal buildings business had reco revenues and operating profits. Aggr sive acquisition efforts led to the Co pany's competitive entry to the bulk storage construction a farm grain bin markets.

4

Crouse-Hinds Compan

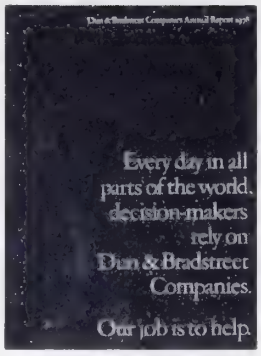
1978: The seventh consecutive reco year for Crouse-Hinds Company—i ternational manufacturer of electric products. Net sales increased 12% $324,213,000. Net income and dilut earnings per share rose 13% $21,058,000 and $2.50, respectivel Including the just-announced 25% i crease, quarterly common stock ca dividends have increased 267% eight years. FORTUNE shows Crous Hinds 77th in ten-year return to investors. STANDARD POOR'S, FINANCIAL WORLD, VALUE LINE carry A+ ratin for Crouse-Hinds.

4

Crum and Forster

Crum and Forster is an insurance hol ing company with total premiums e ceeding $2 billion (net premiums wri ten of $1.4 billion) and assets of ov $3 billion in 1978. C&F concentrat its activity in property-liability insu ance, in which it ranked fourteent among the 2000 active U.S. companie last year. The company's high rate earnings and dividend growth enable it to rank third among the Fortun magazine "50 Largest Diversified Financial Companies" in tot return to shareholders over the last ten years.

4



The Dun & Bradstreet Corporation

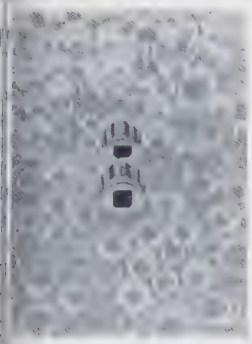
Record 1978 net income totaled $70. million, or $2.52 per share, on revenu of $762.6 million. Earnings per share up 20%, were in line with compan goal of doubling each five to seve years. Dividends increased each yea since 1951; earnings increased eac year since 1964. D&B provides prod ucts and services in four groups: busi ness information, publishing, market ing services and broadcasting.

44

Duro-Test Corporation

America's largest company exclusively in the business of manufacturing and marketing light sources for commercial, industrial, institutional and residential use. Products range from incandescent, fluorescent and mercury vapor lamps which include Vita-Lite®, the only sunlight simulating fluorescent, Watt-Saver® fluorescents and incandescents that conserve electrical energy while maintaining light output, ndustry's largest selection of decorative bulbs, self-ballasted Fluo- neric® and Safe-T-Vapor® high intensity lamps and 32,000-watt enon lamps being used in space research. Sales and earnings at all me high. Unbroken record of dividends since 1942.

45



Easco Corporation

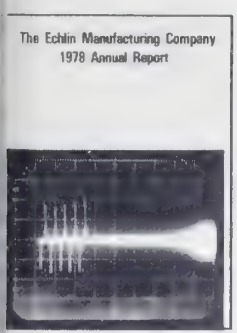
Easco Corporation (NYSE-ES), a leading producer of hand tools and a major manufacturer of aluminum extrusions, achieved its eighth consecutive year of growth in sales and net income. Sales for the year increased 16% to $317 million, with net income rising 20% to $10.4 million. As the primary supplier of mechanics' hand tools to the nation's leading retailers, and with continuing expansion and further mar- et penetration of the Easco proprietary hand-tool business, Easco orporation confidently expects to participate in the projected vorable growth in the amateur (do-it-yourself) and professional and-tool markets in the years ahead.

46

Eaton Corporation

Eaton Corporation, a manufacturer of products serving worldwide transportation and industrial markets, reported new highs in sales and earnings in 1978. Spurred by record performances in traditional businesses and the acquisition of three profitable, growth-oriented companies, Eaton had sales of $2.8 billion. Net income was $131 million, or $7.53 per share. Eaton common stock is traded on the New York, Midwest, Pacific and London stock exchanges.

47



The Echlin Manufacturing Company

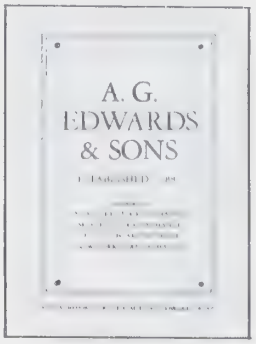
Echlin is a world-wide manufacturer of replacement parts necessary to maintain or improve the efficiency and safety of motor vehicles. Our 15-year record demonstrates sustained rapid annual growth in sales (20.0%), earnings (19.5%), dividends (12.7%), and equity per share (18.2%). In 1978, Ech- in achieved record sales of $278.3 million. In total return to nvestors, Echlin shares rank 7th among the entire Fortune 1000. ounds intriguing, doesn't it? The documentation is in our annual eport—send for it. (NYSE, ECH)

48

EDO Corporation

EDO Corporation produces a sophisticated array of electronic equipment, electro-mechanical devices and fiber reinforced composites that play a significant role in civil/military aviation, ocean navigation, and underwater detection, surveillance and exploration (offshore drilling). EDO markets are worldwide. 1978 sales of $75-million produced record earnings of $2.6-million, up 10% over 1977. Earnings per share: $2.11. Dividend in 1978—$.47½. Divisions/subsidiaries nationwide. Listed on American Stock Exchange.

49



A. G. Edwards & Sons, Inc.

A.G. Edwards is a 92 year old St. Louis-based securities firm serving investors from 146 locations in 33 states. For the fiscal year ended February 28, 1979 earnings approximated $10.8 million on revenues of over $110 million. By year-end stockholders' equity was $43 million. The common stock of A.G. Edwards is listed on The New York Stock Exchange (Symbol AGE).

50

Evans Products Company

Evans' strategies for continued long-term growth following 1978's record revenues of more than $1 billion and net earnings of $54 million, are presented in the 1978 Annual Report. Operating plans and anticipated industry trends through 1982 are discussed for the Company's two main businesses: building products and transportation/ industrial products.

51

Federal National Mortgage Association

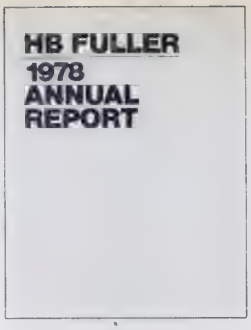
1978—Fannie Mae's tenth year as a shareholder-owned corporation, set records for this leader in the housing and home finance industries. Net income rose 26.6 percent. Mortgage purchases nearly tripled to $12.3 billion. Assets totaled $43.5 billion, up 28.0 percent. Dividends were increased twice in 1978 to an annual rate of $1.28, up 28 percent from the previous year.

52

Ferro Corporation

New records in sales, net income and earnings per share were achieved in 1978 by this producer of specialty materials used by industry worldwide. During the past five years, Ferro's dividend rate has been increased five times, resulting in an annual compounded growth rate of 13.8%. (NYSE-FOE)

53



H. B. Fuller Company

H.B. Fuller, one of Fortune's Seco 500, is a leading manufacturer of sp cialty chemicals including adhesiv sealants and coatings. Average annu growth rate of 15% past 20 years e pected to continue. Some major inve ment strengths: • products used wor wide by almost every industry, maki company recession resistant; • hi technology capability, producing stea stream of new products for new app cations; • sales and earnings doubling every 5 years; • dividen increasing annually, doubling in last 5 years.

5

Fisher Foods, Inc.

Fisher Foods is a major food retailer in three of the nation's largest urban areas—Northern Ohio, Southern Ohio and Greater Chicago. Fisher's supermarkets, operating under the names of Fazio's in Ohio and Dominick's in Chicago, feature in-store bakeries, service delicatessens and wine cellars. The Company had sales of $1.451 billion in 1978 and earnings of $1.56 per Common Share, NYSE—FHR.

54

GTE

GTE consolidated revenues and sal were $8.7 billion, 13.8% over 197 Earnings per share in 1978 total $4.26, as compared with $3.78 earn in 1977, a gain of 12.7%.
The current indicated annual divide rate is $2.48 per common share, increase of nearly 11% over the pr vious annual rate. Dividends declar on the common stock have been i creased 25 times in the past 26 year

5

FlightSafety International

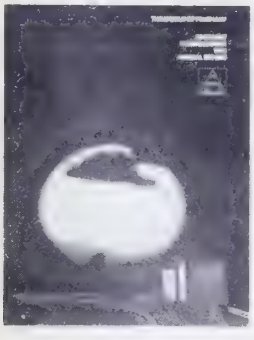
FlightSafety International (FSI-AMEX) is the leading high technology aviation and marine training company with 18 Learning Centers in the U.S. and France serving more than 1,200 organizations. 1978 sales and earnings were all-time highs. Revenues rose 35 per cent to $30,454,253 from $22,532,228 in 1977; net income increased 22 per cent to $6,659,360 ($2.16 per share) from $5,462,837 ($1.80 per share) in the previous year.

55

Gannett Co., Inc.

In 1978, for the 11th consecutive ye and 45th consecutive quarter since g ing public in 1967, Gannett C achieved records in revenues, earnin and earnings-per-share. Revenues ro to $690,128,188 from $557,908,22 earnings to $83,104,426 fro $69,415,741, and earnings-per-share $3.10 from $2.60. Gannett's 78 new papers serve more than 3 million rea er families in 30 states, and the U territories of the Virgin Islands in the Atlantic and Guam in t Pacific.

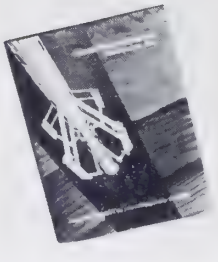
5



Fruehauf Corporation

For the third year in a row, our sales, earnings and earnings per share set new records in 1978. Net earnings were up 26%—at $76,000,000 or $6.34 per common share. All phases of our operations—trailer, automotive, aerospace, finance and maritime—contributed to last year's record gains and we look forward to continued improvement—in sales and earnings—during 1979.

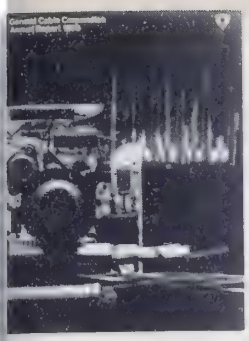
56



Gearhart-Owen Industries, Inc.

During Fiscal 1979, the compa achieved record sales and earning thus continuing a 24 year trend market penetration. The oil indust has accepted the company's digital lo ging system and shows a preference f using such type systems. Increased c prices places further premium on usi the latest technology in the widen search for petroleum products.

6



General Cable Corporation

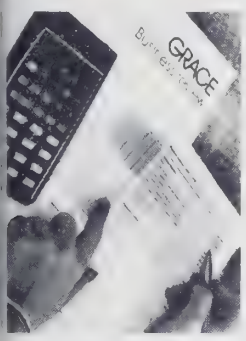
General Cable Corporation has grown and diversified dynamically in recent years. Sophisticated technologies acquired since 1976, including electronic components, engineering services, and environmental products, — now account for nearly two thirds of revenues which in 1978 increased 37% to $848 million. The company plans to change its name to GK TECHNOLOGIES, Incorporated, upon shareholder approval in April.

61

Georgia-Pacific

Georgia-Pacific, a major resource company with holdings of oil, gas, coal, gypsum and timber, recorded its best year in 1978. Sales were $4.4 billion, an increase of 19.8% over 1977 and earnings were $302 million, up 15.3%. Since 1976, the corporation has been involved in a challenging five-year plan to double its earnings. By skillfully managing resources and integrating manufacturing facilities, Georgia-Pacific has already been able to achieve 70% of this objective.

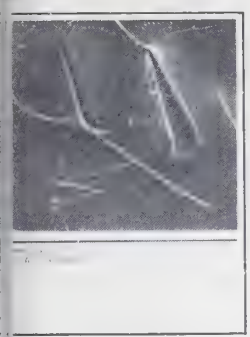
62



W. R. Grace & Co.

Record 1978 sales of $4.3 billion, 17% increases in profit to $170 million and earnings per share to $4.23, and the 46th consecutive year of cash dividends make GRACE a company worth looking into. Our Annual Report tells the whole story. After you've read it, we think you'll agree that at GRACE—in chemicals, natural resources and consumer services—we're one step ahead of a changing world.

63



Grow Group, Inc.

Grow Chemical Corp. has changed its name to Grow Group, Inc. Since 1964 Grow increased its revenues and earnings from $10,000,000.00 and $500,000.00 to $190,000,000.00 and $4,000,000.00 in 1978. The Company changed its name because it believes certain segments of its business has greater growth potential for the future, such as consumer products, and ventures in a new patented pressure dispenser for aerosols and in the food processing industry. Sales, earnings, and earnings per share have increased in each of the last five years. Grow has paid 60 consecutive quarterly cash dividends and stock dividends for 13 of the last 15 years in excess of 78%. Grow is traded on the NYSE, ticker symbol GRO.

64

Frank B. Hall & Co., Inc.

A leading international insurance broker, Frank B. Hall reported record results in 1978. Revenues increased 29% to $192,398,000; net income rose 23% to $22,304,000; per share earnings advanced 22% to $2.46. Revenues and earnings per share have more than doubled during the last 5 years. Since 1973, dividends have increased at a compound annual rate of 29%. Currently the Company pays $1.24 annual dividend. NYSE symbol FBH.

65

Harsco Corporation

Harsco is a worldwide organization with 21 diversified classes of products and services and with operations falling into four business segments: Primary Metals, Construction, Fabricated Metals and Defense. Harsco has over 200 manufacturing, distribution, and service facilities in the U.S. and eight foreign countries. In 1978, sales were $814.8 million, up 19% over the prior year. Net income was $46.5 million or $4.81 per share, up 7%. The company's NYSE symbol is HSC.

66

Hercules Incorporated

Hercules, a worldwide manufacturer of chemicals, produces a variety of products for agriculture, automotive, coatings, adhesives, pharmaceutical, construction, mining, plastics, textiles, food, packaging, paper, rubber, pollution abatement and space industries. Sales and earnings reached all-time highs: up 15% to $1.95 billion with net income increasing 78% to $103.3 million, or $2.36 per share.

67

Hillenbrand Industries, Inc.

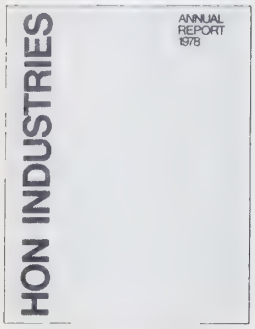
With the acquisition of American Tourister, Hillenbrand Industries is now composed of three well established industry leaders. Batesville Casket Company, Inc., Hill-Rom Company, Inc., and now American Tourister, Inc. are leaders in the burial casket, hospital patient room equipment and luggage fields. Five year compounded annual growth rates have been 20% in net sales and 11% in net income. Return on equity is 17%. For 1978 sales were $230 million and net income was $17 million, both records for the company.

68

Edward Hines Lumber Co.

We're a fully-integrated lumber, plywood and building products company. We have manufacturing plants in the northwestern, southern, and Rocky Mountain regions, wholesale distribution throughout the U.S., and retail outlets in the Chicago metropolitan market. In 1978, our sales increased 17% to a record $339 million. Net income jumped over 22% to $10.8 million. And earnings were $12.34 per share, versus $10.04 in '77. To keep growing, we're investing nearly $18 million in capital expansion projects in '79.

69



HON INDUSTRIES Inc.

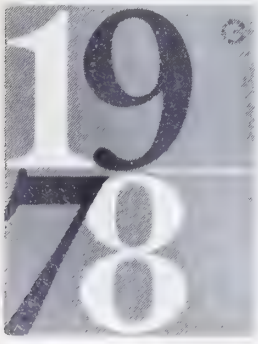
Net income climbed to $14.9 million, up 37%, and sales reached $183.4 million, up 28% over 1977. Twenty years of increased earnings, dividends paid 95 consecutive quarters, and sales increased at a rate of 25.9% for the last ten years. HON ranks second in sales of office furniture among U.S. manufacturers, added volume in material handling equipment. Traded OTC, marginable. Symbol—HONI.

70

INA Corporation

INA is one of the nation's largest diversified financial services companies, with principal interests in property-casualty insurance, life and group insurance, health care management and investment banking. The carrying value of INA's total investments was $5.4 billion at year-end. In 1978, revenues increased 13% to $4.2 billion, and operating earnings per share increased 26.1% to $8.37. INA has paid continuous cash dividends since 1874, and increased the annual rate 13% to $2.60 per share from $2.30 in 1978.

71



Industrial National Corporation

Industrial National Corporation (NYSE-INB), a diversified financial services company, operates 213 offices in 24 states and four foreign locations. Subsidiaries include one of New England's largest banks and mortgage banking, consumer finance, edp and leasing companies. Results: • Dividends paid without interruption since 1792 • Fourth quarter, 1978, marked 12 consecutive quarters of earnings increases • 1978 earnings: $20 million •Book value: $23.70/share. Georgina Macdonald, Director, Corporate Communications, (401) 278-5879

72

Interlake, Inc.

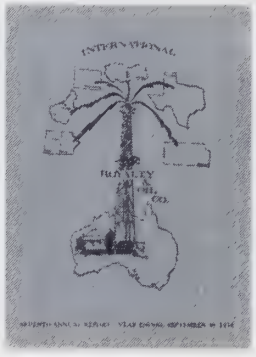
Annual Report announces a 20% cease in sales to $921,127,00. Di dends were $2.20 per share. Rep also delineates capital expenditures 66 million during the year plus a o time write-off occasioned by closing Toledo blast furnace plant and the C cago sinter facility. Diversified met and material handling company, NY and MSE symbol IK.

7

International Harveste Company

International Harvester's fiscal 19 sales record of $6.6 billion came 48 from trucks, 35% from agricultu equipment, 13% from constructi and industrial equipment, and 4 from turbomachinery. For the fi quarter of 1979, ended Jan. 31, n income rose to $1.91 per comm share, compared with 32 cents p share in the year earlier period, on a percent gain in sales.

7



International Royalty & Oil Co.

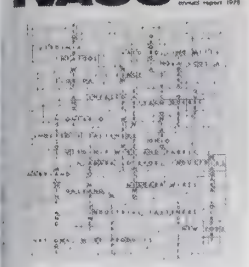
IROC holds 4,158,480 net royalty acr under 62,503,601 surface acres repr senting 2.12 net royalty acres p share! Accumulated earnings ro 1,384%, Company distributed 7 cents worth of Black Giant stock p share, planned cash dividend for 197 Number of producing wells increas during year from 207 to 438 in Kansa Texas, Canada under which IRO holds royalty interests. Ratio 39.

7

Iowa Electric Light and Power Company

Iowa Electric Light and Power Con pany 1978 earnings were equivalent $2.04 per average common share. Re enues for 1978 increased $30.7 millic over 1977 to $242.7 million, and n income available for common stoc increased $1.4 million to $14.8 mi lion. Kilowatt-hour sales to electr customers increased about six percer in 1978 over 1977.

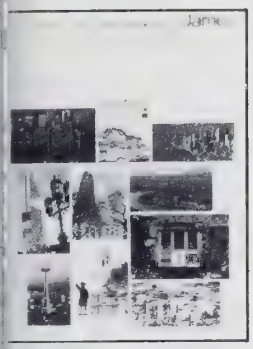
7



Ivaco Ltd.

Ivaco is a Canadian based major producer of steel billets, wire rod, wire, welded wire fabric, nails, fencing, fasteners, and precision machined components; it also manufactures Fourdrinier fabric and felts for the paper industry. It employs approximately 4,000 people at 27 plants, 14 of which are in Canada and 13 in the U.S.A. The Company's stock is listed on the Montreal and Toronto Stock Exchanges. In 1978 sales, earnings and net earnings per share were the highest in the Company's history. Sales increased 59% to Cdn. $265.9 million, net earnings increased 145% to $24 million and net earnings per share increased 146% to $2.44.

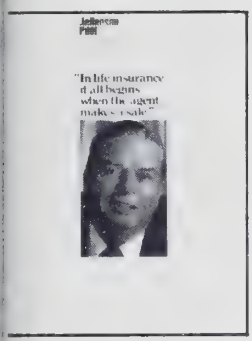
77



Fred. S. James & Co., Inc.

Fred. S. James & Co., one of the world's largest insurance brokerage firms, provides a broad range of services designed to analyze risk and to determine proper protection. Revenues and net income again set records in 1978. Net income rose 25% to $18,435,000 on a 22% increase in revenues to $143,039,000. Earnings per share for the year were up 21% to $2.16. The dividend rate was increased 33⅓% in August, 1978.

78



Jefferson-Pilot Corporation

Jefferson-Pilot's two major life insurance subsidiaries, Jefferson Standard and Pilot Life, produced 88.8% of 1978 income. Other sources included radio, television, newspapers, casualty and title insurance. Per share earnings gains averaged 12.4% compounded, for the past five years. 1978 marked the tenth consecutive year of increase in cash dividends paid. Cash dividends yearly since 1913. Listed NYSE, MSE.

79

Kemper Corporation

Kemper Corporation is a diversified financial holding company. In *Forbes* most recent annual report, the corporation is ranked first in sales growth among fire and casualty insurers. E.P.S. increased at an average annual rate of more than 23 percent during 1968-1978. Recently, the stock split three-for-two and dividends increased 33 percent. The corporation has a dividend reinvestment plan.

80

Keystone International, Inc.

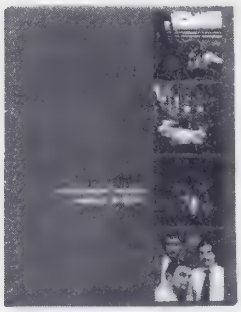
Keystone International is a world leader in automated flow-control processing equipment. Keystone is also one of the fastest-growing U.S. public companies—since 1968, net income has grown 2,451% and net sales 609%. In 1978 alone, net income rose 31% to $10.3 million and sales climbed 50% to $83.6 million. Keystone recently declared a 25% increase in its cash dividend rate. N.Y.S.E. symbol: KII.

81

Walter Kidde & Company, Inc.

Record sales ($1.878 billion) and operating profit ($68.7 million) highlighted Kidde's 1978 performance. Total assets are now $1.3 billion; shareholders' investment and working capital total $1.2 billion, and the dividend on common shares was increased again, to an annualized rate of $1.60 per share. Newly acquired companies offer automotive original equipment and aftermarket products, office supplies and systems, physical conditioning and lawn care equipment, and temporary services and safety lighting.

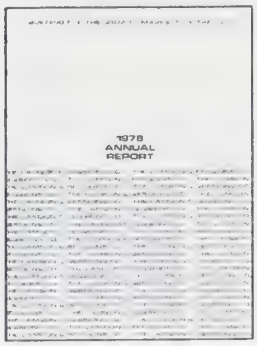
82



Knight-Ridder Newspapers, Inc.

Knight-Ridder's 32 daily newspapers circulate about 25 million copies a week, the largest circulation of any U.S. newspaper group. In 1978, the company acquired three VHF television stations and one UHF television station. The five-year growth record: earnings per share from continuing operations have grown 16.1% on a compound annual basis while dividends have grown 24%.

83



The Lamson & Sessions Co.

Diversification and continuing growth moved 1978 sales up to $193 million. Net earnings were up 41% over 1977. As a supplier to the capital goods market, Lamson & Sessions produces railway freight car equipment, aircraft and industrial fasteners, and specialized industrial equipment. Dividends in 1978 were 13% higher than in 1977. The current quarterly rate, in this 38th consecutive year of dividend payments, is $.25 per share. (Traded: NYSE).

84

Lenox, Incorporated

Lenox, a leading manufacturer of quality china, crystal and giftware, and a major producer of precious jewelry, achieved record 1978 sales from continuing operations of $167,510,000, 16% over 1977, and after tax earnings increased 17% to $13,373,000. Dividend rate increased 16% in the first quarter of 1979 to $1.30 per share annual rate. Dividends can be automatically reinvested in Lenox stock. NYSE Symbol: LNX.

85

The Marley Company

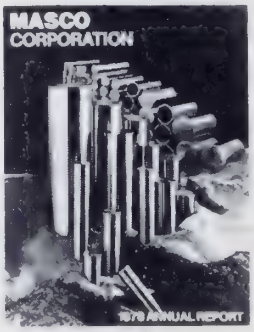
With high levels in sales, net inco and earnings per share, Marley h another strong year of performan during the year ended October 1978. Seven operating subsidiaries p duced these results: sales volu reached $240,698,000; net inco $17,026,000; earnings per share $3. Description of Marley's markets a operating companies is included.

8

Louisiana-Pacific

Louisiana-Pacific sales hit a record $1.04 billion in 1978, up 31%. Earnings of $81.67 million were up 36% from 1977. Income per share rose from $2.15 to $2.91. Given the excellent results of 1978, and projecting continued growth in 1979, the company increased its stock dividend from 2% to 3% and issued a regular quarterly cash dividend of 15¢ per share on Feb. 28, 1979.

86



Masco Corporation

Two Decades of Growth. . . . Mas manufactures faucets and other re dential and home improvement pr ucts; energy-related and other specia products; and cold extruded and oth components for industry. By establis ing proprietary leadership positions markets with above-average grow potential and providing superior val to customers, Masco has reported tw decades of growth . . . uninterrupt annual increases in sales, earnings a dividends.

9

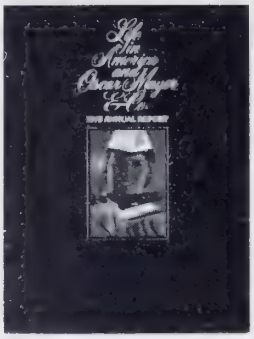
McDonough Co.

Fiscal 1978 results—excellent performance capping a decade of continuous growth—net earnings increased 26% on a sales increase of 21%.

Ten Year Compounded Growth Rates		Fiscal Year Ended January 31, 1979
24.6%	Net Sales	$417,841,000
21.7%	Net Earnings	$ 21,045,000
19.1%	Earnings Per Share	$ 5.27
23.1%	Current Annual Div	$ 1.20

Ten-year growth record is built on the Company's multi-product lines of footwear, hand tools, and building materials. MDO/NYSE

87



Oscar Mayer & Co., Inc.

Oscar Mayer & Co., Inc. is national recognized for its leadership in fo processing, particularly family-conv nience meat products, and in the r search and development of mode packaging methods. In fiscal 197 sales were $1,349,861,000 and earnin were $26,033,000. For the first quart of fiscal 1979, sales were $333,980,0 and earnings were $10,970,000 co pared to $297,284,000 in sales and $6,329,000 in earnings for t first quarter of 1978. NYSE symbol is OMC.

9

Marion
CORPORATION

Marion Corporation

Marion Corporation, based in Mobile, Alabama, is engaged in drilling, refining, exploration and production and marketing of petroleum products. For fiscal 1979 ended January 31, oil reserves increased 9% to 3.6 million barrels and gas reserves increased 85% to 48.8 million MCF. Exploration activity remains strong. A $12,000,000 exploration program is planned for 1979, and a $10,000,000 refinery expansion is underway.

88

Guideposts to the future

To a large extent, any company seeking t interest prospective investors has to stand o past performance. Annual reports are records c this performance. If you are looking for a sourc of future earnings, look into these reports.

Medenco, Inc.

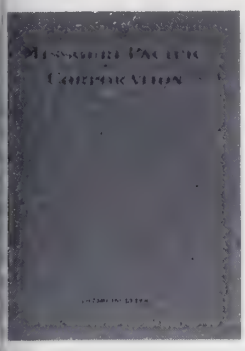
Medenco, Inc. is a diversified health care company that owns, leases and manages acute-care general hospitals, provides contract ancillary services to the hospital industry, and owns a nationwide network of dental laboratories. During the past five years, Medenco's revenues and net income grew at compound annual rates of 24% and 25%, respectively, and the annual dividend rate grew at a 38% compounded rate.

92

Minnesota Power & Light Company

A year of substantial progress in financial and operating results and an outlook of continued, more moderate growth were noted in the 1978 Report to Shareholders. The report, well illustrated with pictures and color charts, also commented on programs and initiatives in public affairs, environmental affairs and land management; and on power supply and construction progress.

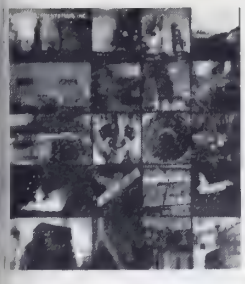
93



Missouri Pacific Corporation

1978 was an excellent year for the Company, as consolidated earnings increased 13% to a record $130 million. Operating revenues were $1.7 billion. With subsidiaries engaged in the railroad, natural gas transmission and portland cement industries, MIS has achieved annual compound growth rates over the past five years of 14% for revenues, 33% for net income and 0% for earnings per share. During 1978, the dividend was increased for the ninth time in five years from an indicated rate of $2.10 to $2.80 per share.

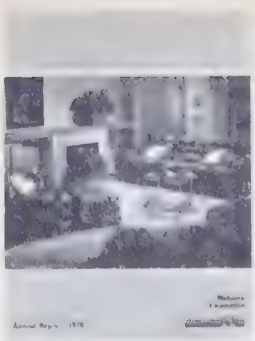
94



Modular Computer Systems, Inc.

MODCOMP manufactures high-performance computer systems for real-time applications in process measurement and control, manufacturing control, and energy and power management. Financial results reached record levels in 1978. Sales increased 18% to $64.5 million. Net income before extraordinary items rose 25% to $4.8 million and earnings per share increased to $1.31 from $1.13 per share fully diluted.

95



Mohasco Corporation

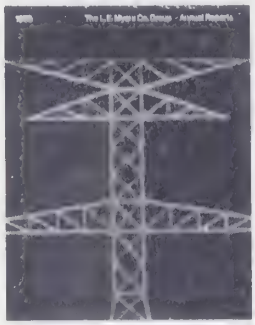
MOHASCO is . . .
CARPETS . . . Alexander Smith, Firth, Mohawk, Tapetes Luxor, S.A., Alfombras Mohawk de Mexico, S.A. . . .
FURNITURE . . . Barcalounger, Chromcraft, Decorion, Futorian, Liberty, Monarch, Peters-Revington, Ranger S.A., Stratford, Stratolounger, Super Sagless, Trend Line . . .
DISTRIBUTION . . . William Volker, Belknap & McClain, Burnham Stoepel, Lack, Mohawk Pacific, Neidhoefer, Rumsey, Schmitt & Henry, Shawnee Southwest, Shawnee East . . .
FURNITURE RENTAL . . . Cort Furniture Rental.

96

Morrison-Knudsen Company, Inc.

Morrison-Knudsen Company performs worldwide construction, engineering and project management services, in addition to mining coal as a contract service, remanufacturing railroad locomotives, developing commercial real estate and co-owning one of the West's largest shipbuilding firms. Net income in 1978 increased for the seventh consecutive year, reaching $21.2-million or $4.93 per share on revenue of $876-million. In February, 1979, the first-quarter dividend was increased to 37½ cents. (MRN — N.Y.S.E.)

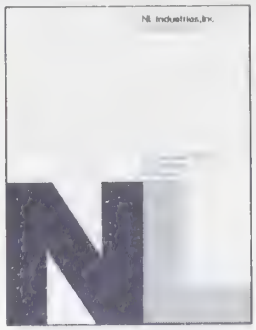
97



The L.E. Myers Co. Group

Revenues rose 25% to a record $178 million and EPS climbed 46% to $1.53 in 1978 for Myers, this country's largest builder of transmission and distribution systems for electric utilities, as it experiences a sustained pick-up in U.S. construction of these systems. The quarterly dividend was increased in February 1979 to 12½¢ per share. Listed NYSE.

98



NL Industries, Inc.

NL Industries is a worldwide industrial company with approximately $2 billion annual sales. NL's business areas are petroleum services and equipment (65% of operating profits), chemicals (13% of operating profits), and metals (22% of operating profits). Major markets in clude, petroleum, automotive, paint, plastics, aerospace, paper and railroads

99

National Distillers and Chemical Corporation

A leader in petrochemicals, oleochemicals, liquors, wines, metals and blankets, NDCC experienced another good year in 1978. Reflecting a sharp upturn in metals, and strong performances by liquor, wine and textile operations, NDCC reported increases in net income to $93.1 million and sales to $1.86 billion. A proposed merger with Indiana Group, Inc., a multiple line property/casualty insurer, was announced. The common dividend was increased for the sixth time in five years to $1.80 annual rate. NYSE symbol is DR.

100

North American Royalties, Inc.

Following a year of new highs in r
enues and net income, North Am
can Royalties set more new records
the first nine months of fiscal 19
and for the third quarter ended Jan.
Revenues for the nine months rose
$84,346,000, up 17% over the sa
period last year, while net income
creased 21% to $7,635,000, or $2
per share. NAR's Wheland Foundry
vision, continued its good performance, and the Oil and
Division's increased emphasis on finding new reserves was s
cessful. North American Royalties is traded on the American a
Pacific Coast Stock Exchanges (Symbol: NAR).

10

New England Electric

N-E-E-S (NYSE) is an electric utility holding company serving a million customers. A single generation and transmission subsidiary sells power at wholesale to three retail distribution subsidiaries. A fuel subsidiary is engaged in oil and gas exploration and development. 1979 was a satisfying year for shareholders and customers alike: • Earnings per share were a record $3.21, up 28%. • The annual dividend rate was increased by 8%, from $1.94 to $2.10 per share. • The average customer cost per kilowatt-hour in 1978 decreased by 2.7% from 1977. • Construction outlays were held to $101 million, with internal funds providing 94% of these needs.

101

Northeast Utilities

Northeast Utilities serves Connecti
and western Massachusetts with N
England's largest electric utility syst
and nuclear power capability. R
enues in 1978 were $934 million; r
income rose 7% to $86 million. N
Connecticut subsidiaries have filed
rate increases of $131 million. Oil
pendence has been cut in half sin
1973 through nuclear power whi
provides 58% of the system's electr
ity.

10

Niagara Share Corporation

A diversified publicly traded investment company whose primary objective is growth of capital from investments in domestic and foreign corporations. Superior long-term record and low portfolio turnover. Directly managed by its officers and directors, who are substantial shareholders. Shares are eligible for Keogh and Individual Retirement Trusts. 50th Annual Report includes investment policy, distribution options and investment results. Listed on N.Y.S.E.

102

Northern Natural Gas Company

Dividends increased for the sixth ye
in a row. Revenues were nearly
billion. Earnings were up five out
the last six years. Earnings per share
$6.15 were our second highest ev
These are the facts as you'll see in o
1978 Annual Report. Northern is
energy-based company involved
wholesale and retail natural gas op
ations; production, acquisition, tra
portation and marketing of liquefied fuels; production and mark
ing of petrochemicals; oil and gas exploration; and mining a
marketing of coal.

10

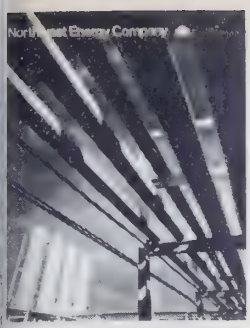
NICOR Inc.

NICOR has subsidiaries in gas distribution, oil and gas exploration and development, oil and gas contract drilling, barging of petroleum and chemical products and acquisition and development of coal reserves. Net income rose 23% to $77.6 million on revenues of $1.3 billion in 1978. Earnings per share were up 13% to $4.55. The common stock dividend rate has increased 20 of the past 21 years. Effective May 1 the rate is 63 cents per share. Trading symbol: GAS

103

Where big investors congregate

The corporate stockholdings of the averag
FORBES subscriber is $232,000. People wit
portfolios of that size are getting something ou
of FORBES that they get nowhere else.
request for several of these reports could b
helpful to you, if you'd like to number yourse
among these affluent readers.



Northwest Energy Company

Northwest Energy Company is committed to developing and transporting energy resources. Through subsidiaries, the Company supplies natural gas to seven western states, is operating partner for the group which will construct the Alaskan section of the Alaska Highway Pipeline Project, seeks to develop Rocky Mountain natural gas and oil reserves and operates an underground coal mine in Colorado.

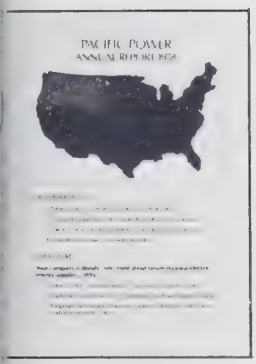
Year Ended December 31, 1978		
Operating Revenues	Net Income	Per Share
$820,000,000	$38,815,000	$9.02

107

Overseas Shipholding Group, Inc.

OSG is the only publicly owned company engaged exclusively in bulk shipping in both the U.S. and worldwide markets. In 1978, the Company's net income exceeded $54 million. Since 1969, with continuing emphasis on medium and long-term chartering, OSG's fleet has increased from 1,000,000 to 5,000,000 deadweight tons. During this period, per share earnings have grown at a compounded annual rate in excess of 20%. OSG's strong financial condition and market prospects are detailed in the 1978 Annual Report. (NYSE, PSE: OSG)

108

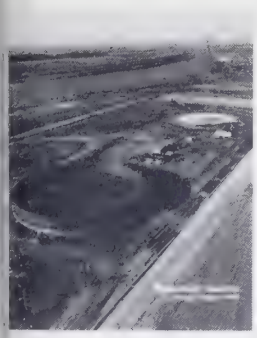


Pacific Power & Light Company

Portland, Oregon

Pacific Power & Light Company serves 609,000 electric consumers in six western states; owns coal reserves in Washington, Wyoming and Montana and output ranks it 6th U.S. producer; owns 80% of Telephone Utilities, Inc. Revenues for 1978 were $506,519,000 up 25% and earnings per share were $2.51, up 29 cents. The quarterly dividend is 48 cents.

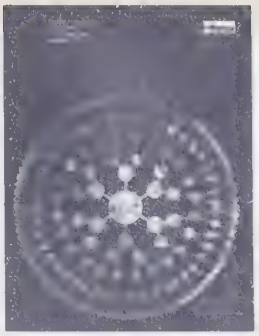
109



Panhandle Eastern Pipe Line Company

Panhandle Eastern is a diversified energy company engaged in the interstate transmission and sale of natural gas, the exploration for and production of oil and natural gas, contract drilling domestically and internationally, coal mining and manufacturing. Operating revenues for 1978 were $1.4 Billion—up 17%, and net income was $122 Million—up 15%.

110



Parker Hannifin Corporation

Fiscal 1978 (ended June 30) was a year of dynamic growth and investment in the future for this worldwide supplier of critical parts for the machines man uses to shape his world. Several key acquisitions expanded product line and market thrust. Net income rose 18% to $39.6 million on record sales of $696 million. Earnings per share reached $3.05. Dividends were increased for the 22nd consecutive year. NYSE: PH

111

Pennsylvania Power & Light Company

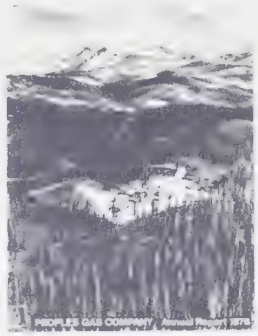
Pennsylvania Power & Light Company (PP&L) supplies electricity to 973,000 homes and businesses over a 10,000-square-mile area in central eastern Pennsylvania. PP&L has strong generating capacity and fuel position. It is a net supplier to the PJM Interconnection, one of the world's largest power pools. Quarterly dividends on common stock were increased from 48 cents to 51 cents beginning with the April 1 dividend.

112

Penril Corp.

Penril Corporation manufactures electronic data communications, instruments and consumer products at operations in five states and Switzerland. Record 1978 earnings were up 30% to $1,178,170. Fully taxed earnings have increased 337% since 1974, reaching 91¢ per share in 1978. 1979 revenue is expected to exceed $22 million, an increase of 500% compared to 1974. Annual cash dividend payout rate is 12½¢, up 733% from the initial 1975 payout.

113



Peoples Gas Company

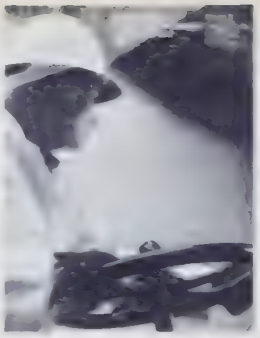
Diversified Chicago-based holding company with operating subsidiaries positioned in three primary forms of energy—natural gas, oil and coal. Total assets: $2.8 billion. Cash dividends paid each consecutive quarter since 1939. Current annual rate $2.88. Listed New York and Midwest Exchanges. Ticker symbol: PGL.

114

Perry Drug Stores, Inc.

1978 was our third consecutive year of record results. Income, earnings and net per share in first 1979 quarter ended Jan. 31 were at highest ever levels. During latest five-year period we posted: • Growth in earnings per share—20%. • Sales Growth—28%. • Average return on equity—19%. Perry went public in 1973 with 18 stores, now operates 58 stores in 43 Michigan communities.

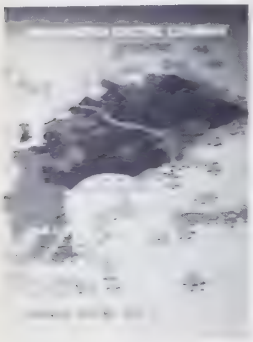
115



Puget Sound Power & Light Company

An investor-owned utility provid electricity for over 1 million peop the State of Washington servin nine-county area principally in the get Sound region. Gross utility plan more than $1.1 billion. In 1978 ope ing revenues were $255 million. O 83% of 1978 energy production w from hydro-electric sources.

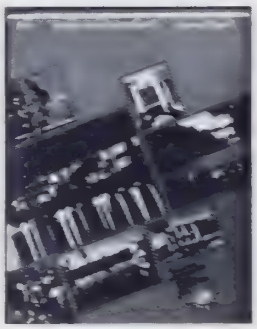
11



Philadelphia Electric Company

An investor-owned utility providing electric, gas and steam service to nearly 4 million people in southeastern Pennsylvania and northeastern Maryland. Assets are over $4.8 billion. Nuclear generation, as a percent of total kilowatthour output, was 26.3% in 1978 and is expected to reach 31.8% in 1979. On the other hand, oil generation for 1979 will be less than 20%. More than 242,000 common stockholders receiving an annual dividend of $1.80 per share every year since 1902.

116



Quality Inns International, Inc.

Quality Inns International— The m comfortable place ... under t Sun"—operates or franchises over 3 full-service motor inns in the Uni States, Canada, Belgium and Mexi In 1978 Quality Inns earned a net i come of $1.5 million on total revenu of $57 million, both records. A total 33 new properties were added in 19 and plans call for 52 more new Inns 1979. Within 5 years, 40 properties in Mexico will be under t Quality Inns sunburst sign.

12

Premier Industrial Corporation

Premier markets 110,000 products ranging from fasteners and specialty lubricants to electronic and electrical components used principally in industrial maintenance and repair. The company is also a leading producer of high-performance fire-fighting accessories and systems. RECESSION RESISTANCE: Earnings per share growth interrupted only once since 1960. Payout has doubled in past four years.

117

Rangaire Corporation

Rangaire is a diversified corporatio manufacturing Chambers built- ovens and cooktops, fluorescent lig ing fixtures, range hoods, compa freezers and radio intercom/sound sy tems. Rangaire is also a major U producer of quicklime and hydrat lime, processed from limestone, and one of the major general contractors the Dallas-Fort Worth Metropolit Area. Equity, assets and number stockholders have risen steadily since the Company became publ in 1969.

12

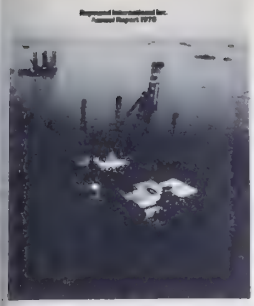
Public Service Electric and Gas Company

The nation's third largest combination electric and gas utility, serving over 75% of the population in New Jersey. Assets are over $5.5 billion. About 221,000 common stockholders are currently receiving dividends at the rate of $2.20 per share annually. PSE&G has paid dividends continuously since 1907. Newark, New Jersey

118

A reliable source of investment information

A profitable portfolio often begins with someon reviewing an annual report. If you're looking t find out how a company fared during the pas year, send for those annual reports in th section that interest you. They represent com panies who want you to know more about them



Raymond International Inc.

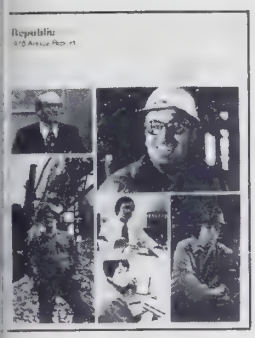
A worldwide company specializing in foundations; marine heavy construction; offshore platform fabrication and installation; design and engineering; plus construction services.

* Eight straight years of improved earnings from continuing operations
* Four straight years of record earnings from continuing operations

	12/31/78	12/31/77	%
Net Income (Continuing Operations)	$18,000,000	$17,000,000*	+6
Per Share (Continuing Operations)	$3.69	$3.17*	+16

* Reported 1977 net income contained non-recurring gains of $4.2 million, or 77¢ per fully diluted share, from the sales of assets.

122



Republic Steel Corporation

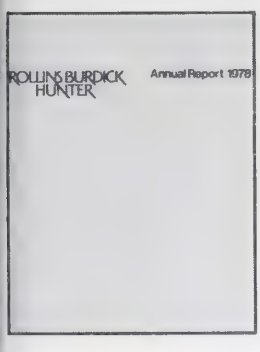
Republic Steel reported a dramatic 171% increase in earnings in 1978, along with plans for major capital improvement projects, totaling nearly $700 million, at several of its steelmaking districts and divisions. A reading of the report reveals a determined effort on the company's part to improve efficiency, reduce costs and further strengthen Republic's raw materials position.

123

Richardson-Merrell Inc.

Richardson-Merrell Inc. is a diversified pharmaceutical company, producing proprietary medicines and toiletries, ethical pharmaceuticals, laboratory and industrial chemicals, diagnostic systems and instruments and wood care products. Consumer products include *Vicks* colds products, *Clearasil* and *Oil of Olay*. Sales have increased in each of the last 30 years. Net sales in fiscal 1978 were $945 million; earnings were $66 million.

124



Rollins Burdick Hunter Co.

Rollins Burdick Hunter Co. is a multinational insurance broker that provides leading corporations here and abroad with essential insurance, loss control, and related services. Company set new records in 1978 . . . marking ninth year in a row for such an achievement. Net income was up 21%; dividends increased 31%; and commissions, fees and other income rose 17%. NASDAQ Symbol: RBHC

125

SGL Industries, Inc.

Record sales and earnings for the *seventh consecutive year* were recorded by SGL in 1978. Sales were up 29% to $45.5 million, earnings gained 21% to $1.70 per share. Earnings per share have grown at a 20% five year compound rate. SGL Industries is a diversified manufacturer of industrial and consumer products for specialty "niche" markets. Why not grow with us? ASE listing – Ticker: "SL."

126

Salem Corporation

Net income for 1978 reached a record high of $3,481,723. Salem broadened its product technology by acquiring complete ownership of the Coaltek® System relating to coke production and an interest in the M-W® Process pertaining to calcining petroleum coke. Salem Corporation designs, engineers and constructs metals heating furnaces, metal finishing equipment, coal processing facilities, coke ovens and anti-pollution equipment.

127

Saxon Industries, Inc.

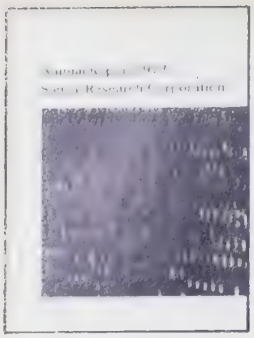
Saxon Industries, Inc. is a diversified company whose principal business is the manufacture of a generally related mix of basic product lines. The company's operations are organized into three major groups—Paper and Paper Products, Business Products, (photocopiers and supplies) and Advertising Specialties. Saxon serves more than 150,000 customers throughout the United States and overseas. Net sales for 1978 are expected to exceed $550 million.

128

Sealed Power Corp.

Sealed Power is a worldwide supplier of automotive engine parts and related components. Net income in 1978 was a record $3.35 per share, a 38% improvement over the previous year's record of $2.43. Sales were a record $245 million, of which 45% represented sales to the automotive replacement market. The cash dividend was increased during 1978 for the 10th year in the last 11, to 27½ cents per share from 25 cents.

129



Sierra Research Corporation

Sierra Research Corporation (NASDAQ-SERE) is engaged in data communications through the design, manufacture and distribution of computer- and logic-controlled electronic systems for the United States and foreign governments and industry. The Company's growth rate of 15% continued to be maintained in 1978 with reported sales revenues of $28,950,000 and net earnings of $990,000; or $1.20 per share.

130

Standard Brands Inc.

"50 years ago Standard Brands w incorporated, formed from such illu trious names as Fleischmann's, Cha & Sanborn and Royal. Today, it is multi-national leader in the food a beverage industries, providing stockholders and the public with outstanding record of service and respected family of products."

13

Southern Pacific Co.

Southern Pacific is a holding company. Its main subsidiary, one of the nation's largest railroad systems, serves the West and Southwest. Other transport subsidiaries include extensive trucking, pipeline and intermodal services. Non-transportation activities consist of land development, leasing, computer consulting services, and a nationwide specialized communications network. Southern Pacific's operating revenues in 1978 were a record $2.3 billion, net income was $116.2 million, or $4.31 per share. The annual indicated dividend rate is $2.40 per share.

131

Sullair Corporation

Sullair became a $100 million cor pany in 1978 when sales reach $103.1 million, an increase of 38.3 over 1977. Net income of $6.6 millio was record high. This was the thi teenth consecutive year of growth a progress since inception of the co pany in 1965. Sullair is a leading pr ducer of rotary screw air and gas co pressors. Sullair is here. NASDA –SULL.

13

Sparton Corporation

Sparton Corporation is currently paying a quarterly dividend of 15¢ per share (indicated annual rate—$.60). In past five years dividends have increased over 100 per cent. Dividends paid continuously since 1963. Fiscal 1978: Sales—$79,053,565 (up 16.9%); Net Income—$.96 per share; Shareowners' Equity—$16.52 per share (up 2.73%); Working Capital—$15,239,708 (up 23.8%). No long term debt. Sparton serves Electronics, Automotive, Telecommunications, Automation and Energy industries: a LEADER in 70% of its business. NYSE.

132

Teleflex Incorporated

Teleflex designs, manufactures, an sells worldwide, remote control sy tems, fluoroplastic products, instru mentation, and protective coatings f aerospace, automotive, marine, indu trial, medical, and nuclear application

Financial Highlights	1978	1977
Net Sales	$54,844,600	$47,670,30
Net Income	$ 2,668,400	$ 1,768,50
EPS	$ 1.80	$ 1.25

13

Sperti Drug Products, Inc.

45 year leader in Sunlamps and Ultraviolet environmental protection equipment. Also producer of drug ingredients. Revenues $4,232,962 compared to $3,496,292 in '77. Net income from continuing operations $400,723 and $340,602 in '77. First six months of 1979 fiscal year, Revenues $2,420,619 — $1,754,679 in '78. Net Income from continuing operations $455,297 compared to $231,057 in '78 a 97 percent increase.

133

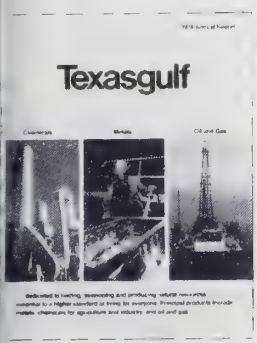
The Annual Report: a compendium of useful information

Publicly held companies prepare annual reports because the information they provide is the bedrock on which any and all evaluate a company's performance record. The companies advertised in these pages are proud of their achievements. If you want to base your investment decisions on solid ground, these reports are an excellent starting point.

Tenneco Inc.

Emphasis on energy brought Tenneco its best year ever in 1978, setting records with revenues of $8.8 billion; net income of $466 million, and fully diluted earnings per share of $4.30. Although energy generates two-thirds of Tenneco's income, the Company is profitably diversified into other basic industries—construction and farm equipment, automotive components, chemicals, agriculture and land management, packaging, shipbuilding and insurance.

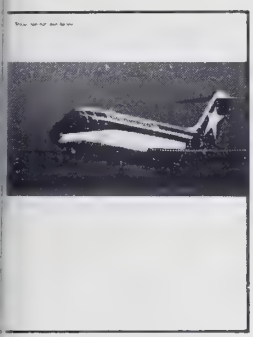
137



Texasgulf Inc.

Texasgulf, a diversified natural resources company, is a producer of zinc, copper, silver, phosphate fertilizer products, sulphur, soda ash, potash, cadmium, lead concentrates, tin concentrates, oil and gas, coal, and forest and farm products, and has interests in iron ore properties. Texasgulf also conducts worldwide exploration for natural resources.

138



Texas International Airlines, Inc.

1978 was a record year for Texas International Airlines. Net earnings were $13,151,000, or $2.17 per share, compared to $8,238,000, or $1.52 per share in 1977. Revenues increased 24%, to $180.2 million. Passenger revenues increased 30%, to $158.2 million. Reduced rate "Peanuts Fares," continued to generate substantial new and profitable traffic as passengers carried grew 23%, to 3.7 million. Texas International Airlines common stock, "TEX," is listed on the American Stock Exchange.

139

Toledo Edison Company

1978 was a turnaround year. The annual dividend rate increased to $2.20 from $2.12 per common share, while operating revenues were up 23% and operating income more than doubled. The Company serves an economically stable agricultural-industrial area of Northwestern Ohio, providing electricity for 750,000 people today with tomorrow's fuels—coal and nuclear.

140

Transamerica Corporation

Transamerica emphasizes insurance, financial, leisure and business services. The company had a record year in 1978. Income from operations was $208.3 million, or $3.13 per share, on revenues of $3.5 billion. Return on average equity was 19.1 percent. Subsidiaries include Occidental Life, Transamerica Insurance, Transamerica Title Insurance, Transamerica Financial, United Artists, Trans International Airlines, Budget Rent a Car and Transamerica Delaval.

141

Tyler Corporation

1978 was the eighth consecutive year of record sales and profit performance for Tyler Corporation (NYSE). Fully diluted earnings per share increased 17% to $2.14, setting five-year and ten-year compound growth rates of 25% and 20%, respectively. At 21.4%, return on shareholders' equity exceeded 18% for the eighth successive year. Tyler competes in the fields of building materials, trucking and industrial explosives. Annual dividend rate: $.45 per share.

142

UMC Industries, Inc.

A company of companies committed to profitable growth. In its annual report, the chief executive of each of its operations comments upon his company's performance, plans and expectations. In 1978, sales and earnings achieved new records:

Net Sales	— $288,049,000
Net Earnings	— $ 12,068,000

143

Unarco Industries, Inc.

Unarco Industries, Inc. reported record 1978 sales. Sales of $274,844,047 topped the previous high recorded in 1977 and were up 50.1% from $183,152,689. Net income advanced from $5,626,586 in 1977 to $8,116,873 in 1978. Net income per share reached $2.24 in 1978 vs. $1.75 in 1977. Consolidated results include 11 months sales and earnings of Unarco-Midwest acquired in 1978. Unarco Industries is a diversified fabricator of steel products, principally welded steel tubing. "UNR" on N.Y.S.E.

144

United Bank New York

United Bank Corporation of New York for the year 1978:

- Return on average assets—1.15%
- Average capital—11.28% of average deposits
- Net income—$21,559,000
- Average assets—$1,881,710,000.

UBNY consists of four commercial banks operating 117 offices in upstate New York and Long Island. Bank related affiliates include a leasing and data processing company.

145

Universal Instruments Corporation

Manufacturer of machines used processing and assembling comp nents and devices in applications the electronics industry. 1978 Sa $44,789,000; Net Earnings $4,908,0 Compound annual growth rates sin public issue in 1972: Sales 28%, Ea ings 34%, Equity 26%, Divider 47%. Long-Term Debt 3% of Equi Current Ratio 5 to 1. Foreign Sa 37% of total.

14

United Energy Resources, Inc.

United posted its fourth consecutive year of record earnings and its second successive year of increased consolidated energy deliveries in 1978. Consolidated net income for 1978 was $82.4 million, or $6.96 per share, with revenues exceeding $2 billion for the first time. On a consolidated basis, United added natural gas reserves in excess of deliveries in 1978 for the first time since 1969. United also entered the terminaling and liquid fuels marketing business in 1978.

146

Vanderbilt Energy Corporation

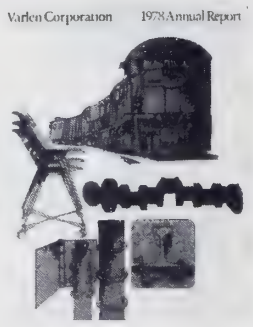
In fiscal 1978, Vanderbilt Energy C poration acquired Bell Western Cor a 59-year-old independent oil and g producer, to give it additional gas a oil reserves, undeveloped acreage, nancial strength and shareholde Vanderbilt also participates in a lar number of drilling prospects generat by its own staff of geologists. Op ations are in Texas, Oklahoma, Col rado, Wyoming and Alberta, Canada

15

United Inns, Inc.

One of the world's largest licensees of Holiday Inns. Owns, operates 34 Holiday Inns, 17 Mr. Pride Car Washes, Gaines Furniture Manufacturing Co. 1979 revenue was $105,463,533 up 14.2% over 1977. Net income was $8,552,438 or $2.10 per share, up 55.6%. Rooms in operation at end of fiscal year, 8,157. Planned expansion will add 10 Inns and 7 Mr. Pride Car Washes to operations. First quarter 1979 revenues of $25,016,594 up 6.1% over 1978. Net income was $1,495,442 a rise of 24.9% over the first quarter of 1978. Currently paying 5.5 cents quarterly dividend. NYSE Stock Symbol UI.

147



Varlen Corporation

Varlen—one of the largest OEM man facturers of custom tubular product the most comprehensive domestic pr ducer of loose leaf metals; manufa tures equipment for railroad freig cars, rail anchors, agriculture comp nents, highly engineered pressure ve sels for hydrocarbon and process indu tries; rebuilds/reconditions locom tives and major parts of heavy du diesel engines; manufacturer and co structor of large field storage tanks. Sales for 1978 were 103 million, earnings were 5.0 million or $1.71 per share, up 32% ov the previous year.

15

United Technologies Corporation

Another record-breaking performance in 1978 from this diversified, multimarket builder of high-technology products. Net income rose to $234 million on sales of $6.26 billion. Year-end backlog climbed to $8.7 billion. Some $439 million was invested in R&D. Through a tender offer, a major interest was acquired in Carrier Corporation, a leading air-conditioning manufacturer with sales of over $2 billion.

148

Investment decision-makers

In addition to substantial holdings in corporat stocks, 43% of FORBES' subscribers hel make investment decisions for others includin companies, institutions, pension funds, es tates, trusts, and individuals. Many of thes investment-minded readers rely on corporat annual reports to help determine a company' profit potential.

New Issue

Verbatim Corporation

The initial public offering of Verbatim Corporation shares, traded OTC, was made in February 1979. For the fiscal year ended June 30, 1978, Verbatim's pretax income ($2,725,230) was up 63% over the prior year ($1,669,386) on a 45% gain in sales ($22,484,757 versus $15,461,611). Formally called Information Terminals Corp., Verbatim is the largest single supplier of removable magnetic storage media with approximately one-half of the total market for data cassettes and one-third of the market for flexible (floppy) disks. In the past five years (fiscal 1974 through 1978) Verbatim pretax income and sales volume have grown over five times.

152

Virginia Chemicals Inc.

Virginia Chemicals Inc.

Growing multifacility industry leader showed 6% increase in sales to $110.3 million. Earnings of $4 million were up 40%. Both sales and earnings set records. Company manufactures wide range of industrial chemicals for paper and textile fields; organic amines for selective herbicides in agriculture; specialty chemical/mechanical components for air conditioning and refrigeration; refrigerants and related products.

153

Vishay Intertechnology, Inc.

Vishay, a high-technology multinational company, had record results in fiscal 1978. In the first half of fiscal 1979, sales and earnings were up 30% and 40%, respectively. Vishay is structured into 3 groups: Measurements (stress analysis products for a broad range of industries); Resistive Systems (for precision instruments and specialized computers); Medical Systems (to apply Vishay technology in health care). Listed on the AMEX. Symbol: VSH.

154

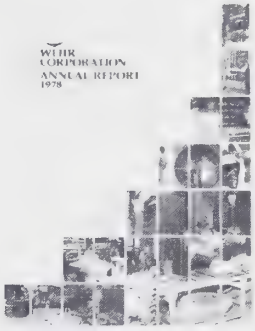
measure of affluence

The people who read FORBES: Capitalist Tool represent one of the most affluent audiences in America. Their average net worth is over $553,000 and one out of thirteen is a millionaire. A large portion of this wealth is invested in America's corporations. You can be sure that many of FORBES' readers look to corporate annual reports for help in their investment planning.

Voplex Corporation

Sales and earnings for the Rochester-based manufacturer reached record highs in 1978. Sales climbed to $38,235,936 . . . up 30% from 1977, and nearly double 1976. Net earnings increased to $2,962,805, or $2.68 per share. VOPLEX manufactures highly engineered innovative plastic products and coatings serving a variety of industries.

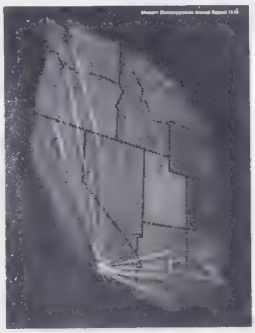
155



Wehr Corporation

Wehr reported record high sales of $62,803,000, up 18.6%, and earnings of $3.12 per share, up 15.6%. Wehr's two product segments, Environmental Products and Machinery & Components, both enjoyed higher revenues. Environmental Products include energy recovery equipment, air filters, instruments and air distribution equipment. Machinery & Components include steel castings, refractory brick presses, and magnetic equipment. Wehr's balance sheet is exceptionally strong.

156



Western Bancorporation

WBC's banks in 11 western states operates 800 offices in 405 communities, including the 21 largest western markets. The eighth largest U.S. banking company, WBC closed 1978 with record earnings for the third consecutive year—$167.2 million, up $47.6 million over 1977. Earnings per share of $4.55 were up 36.2%. In 1978, WBC paid a 50% stock dividend and increased the annual cash dividend rate 20% to $1.36 a share, the third increase in 18 months.

157

Wyle Laboratories

Fiscal 1979 was a year of solid accomplishment for Wyle Laboratories with both sales and income from continuing operations reaching all-time highs. Sales for the year ended January 31, 1979 rose 25 percent to $205,253,000, and income from continuing operations advanced 40 percent to $6,261,000, equal to $1.45 per share, up from $1.05 per share a year earlier. Activities include electronic components distribution, industrial manufacturing, transportation, and scientific services and systems.

158

These Advertisers Are Offering You Their Annual Reports Without Cost

Please circle on one of the insert cards on the adjoining page the number of each company listed below whose annual report you would like to receive.

1. AMP Incorporated
2. Aetna Life & Casualty
3. Alcan
4. Allegheny Airlines, Inc.
5. Allis-Chalmers Corporation
6. Allright Auto Parks, Inc.
7. Amcord, Inc.
8. Amdahl Corporation
9. American Biltrite Inc.
10. American Business Products, Inc.
11. American General Insurance Company
12. American Motor Inns, Inc.
13. AMETEK, Inc.
14. Anacomp, Inc.
15. Argonaut Energy Corporation
16. The Arizona Bank
17. Arkansas Best Corp.
18. Ashland Oil, Inc.
19. Baldor Electric Company
20. Barnes Group Inc.
21. Basic Resources Corporation
22. Beech Aircraft Corporation
23. Bliss & Laughlin Industries
24. Bucyrus-Erie Company
25. Callaghan Mining Corporation
26. Carson Pirie Scott & Co.
27. The Charter Company
28. Chesebrough-Pond's Inc.
29. Chieftain Development Co. Ltd.
30. Clark Oil & Refining Corporation
31. Clausing Corporation
32. Colonial Penn Group, Inc.
33. Colt Industries
34. Community Psychiatric Centers
35. Computer Sciences Corporation
36. Computervision Corporation
37. Consolidated Freightways, Inc.
38. Consolidated Natural Gas Company
39. Consolidated Papers, Inc.
40. The Continental Group, Inc.
41. Cronus Industries, Inc.
42. Crouse-Hinds Company
43. Crum and Forster
44. The Dun & Bradstreet Corporation
45. Duro-Test Corporation
46. Easco Corporation
47. Eaton Corporation
48. The Echlin Manufacturing Company
49. EDO Corporation
50. A. G. Edwards & Sons, Inc.
51. Evans Products Company
52. Federal National Mortgage Association
53. Ferro Corporation
54. Fisher Foods, Inc.
55. FlightSafety International
56. Fruehauf Corporation
57. H. B. Fuller Company
58. GTE
59. Gannett Co., Inc.
60. Gearhart-Owen Industries, Inc.
61. General Cable Corporation
62. Georgia-Pacific
63. W. R. Grace & Co.
64. Grow Group, Inc.
65. Frank B. Hall & Co., Inc.
66. Harsco Corporation
67. Hercules Incorporated
68. Hillenbrand Industries, Inc.
69. Edward Hines Lumber Co.
70. HON INDUSTRIES Inc.
71. INA Corporation
72. Industrial National Corporation
73. Interlake, Inc.
74. International Harvester Company
75. International Royalty & Oil Co.
76. Iowa Electric Light and Power Company
77. Ivaco Ltd.
78. Fred. S. James & Co., Inc.
79. Jefferson-Pilot Corporation
80. Kemper Corporation
81. Keystone International, Inc.
82. Walter Kidde & Company, Inc.
83. Knight-Ridder Newspapers, Inc.
84. The Lamson & Sessions Co.
85. Lenox, Incorporated
86. Louisiana-Pacific
87. McDonough Co.
88. Marion Corporation
89. The Marley Company
90. Masco Corporation
91. Oscar Mayer & Co., Inc.
92. Medenco, Inc.
93. Minnesota Power & Light Company
94. Missouri Pacific Corporation
95. Modular Computer Systems, Inc.
96. Mohasco Corporation
97. Morrison-Knudsen Company, Inc.
98. The L. E. Myers Co. Group
99. NL Industries, Inc.
100. National Distillers and Chemical Corporation
101. New England Electric
102. Niagara Share Corporation
103. NICOR Inc.
104. North American Royalties, Inc.
105. Northeast Utilities
106. Northern Natural Gas Company
107. Northwest Energy Company
108. Overseas Shipholding Group, Inc.
109. Pacific Power & Light Company
110. Panhandle Eastern Pipe Line Compan
111. Parker Hannifin Corporation
112. Pennsylvania Power & Light Company
113. Penril Corp.
114. Peoples Gas Company
115. Perry Drug Stores, Inc.
116. Philadelphia Electric Company
117. Premier Industrial Corporation
118. Public Service Electric and Gas Compa
119. Puget Sound Power & Light Company
120. Quality Inns International, Inc.
121. Rangaire Corporation
122. Raymond International Inc.
123. Republic Steel Corporation
124. Richardson-Merrell Inc.
125. Rollins Burdick Hunter Co.
126. SGL Industries, Inc.
127. Salem Corporation
128. Saxon Industries, Inc.
129. Sealed Power Corp.
130. Sierra Research Corporation
131. Southern Pacific Co.
132. Sparton Corporation
133. Sperti Drug Products, Inc.
134. Standard Brands Inc.
135. Sullair Corporation
136. Teleflex Incorporated
137. Tenneco Inc.
138. Texasgulf Inc.
139. Texas International Airlines, Inc.
140. Toledo Edison Company
141. Transamerica Corporation
142. Tyler Corporation
143. UMC Industries, Inc.
144. Unarco Industries, Inc.
145. United Bank New York
146. United Energy Resources, Inc.
147. United Inns, Inc.
148. United Technologies Corporation
149. Universal Instruments Corporation
150. Vanderbilt Energy Corporation
151. Varlen Corporation
152. Verbatim Corporation
153. Virginia Chemicals Inc.
154. Vishay Intertechnology, Inc.
155. Voplex Corporation
156. Wehr Corporation
157. Western Bancorporation
158. Wyle Laboratories

me companies seem not to be for sale even the price is right. Do stockholders have the ght to know in advance management's atti- de to a proposed takeover?

A modest proposal

By Richard Phalon

T USED TO BE that when Wall Street's risk arbitrageurs got stung on a take- over deal, they'd swallow their losses professional silence. No longer. The itrageurs are becoming activists, too. n the forefront is Guy P. Wyser- tte, the resourceful 38-year-old former rine Corps captain whom the Bache up Inc. paid $864,855 last year for ng right on almost every major merg- r takeover deal that crossed the tape. e his dozen or so peers in the pressure ker world of arbitrage, Wyser-Pratte kes his money by working the eads between the market price of a k and the premium a raider is willing ender for it.

goes like this: $40 is offered for a k selling at $30; the issue moves up 35. At this point thousands of share- ders, weary of sitting with the stock, unwilling to gamble that the takeover go through. How do *they* know what n management's mind? Enter the ar- ageurs. They make a calculation: Will tender offer succeed? If it will, there handsome return to be made by ing up the stock that the timid hold- want to unload at $35 and selling out onth or so later at $40. (The return, ualized, would be 170%.)

he potential rewards are great, but so the risks. "Stockholders are getting en," Wyser-Pratte says, by self-serv- managements whose major concern hanging on to their own jobs. "If a of companies have 'not for sale' signs them, when were stockholders told? l," he continues, "who would have ght the stock if a company has a 'not sale at any price' sign on it? The lic has a right to know."

Wyser-Pratte's outburst is, of course, -serving, but he does have a point: If a nagement is determined to remain pendent at any price, shouldn't that be disclosed to stockholders along h other pertinent data?

In an unparalleled public display of indignation, Wyser-Pratte tried to get that point across at Gerber Products Co.'s annual meeting. The arbitrageur's indignation was understandable. When the baby-food producer, currently trading at around 29, turned down an offer of $40 a share from Anderson, Clayton & Co., Wyser-Pratte and his clients lost money.

The meeting was just a warm-up. Wyser-Pratte took the unusual step of reinforcing his rhetoric with a Bache-financed stockholder's suit against Gerber and its directors. It was dismissed last summer.

The decision was no great surprise. Both federal and state judges tend to give management plenty of room in determining whether there has been an objective exercise of "sound business judgment" in a merger turndown. Many state courts have been so lenient in interpreting antitakeover statutes as to remind one of the storied battle for control of the Erie Railroad in the last century, when Jim Fisk and Commodore Cornelius Vanderbilt tried to nullify each other's attacks with their own kept judges.

The Gerber ruling left Wyser-Pratte fuming, so that when American Express Co. took a run at McGraw-Hill, Inc. early this year, he was already on the activist *qui vive*. Wyser-Pratte says he paid around 31, on average, for the 46,900 shares of McGraw-Hill he bought for the Bache account. He took a paper loss of about $150,000 when the market fell after the publishing company succeeded in beating off Amexco's final bid of $40 a share. The Bache arbitrageur looked into the possibility of starting a proxy fight to reverse the McGraw-Hill rejection, and evoked some resonance from some institutional investors with a thus-far unsuccessful request for a poll of McGraw-Hill shareholders on the offer.

Wyser-Pratte, who still holds a chunk of McGraw-Hill stock, clearly hoped his activist role would help generate some active support from institutional investors with a big stake in McGraw-Hill. Tender offers tend to remind pension fund managers that they have a fiduciary responsibility to do the very best they can by their clients. "If we had the opportunity to tender [McGraw] at $40 per share," said Russell Murphy, a senior vice president of Boatmen's National Bank of St. Louis, "it would be very difficult to justify not doing so."

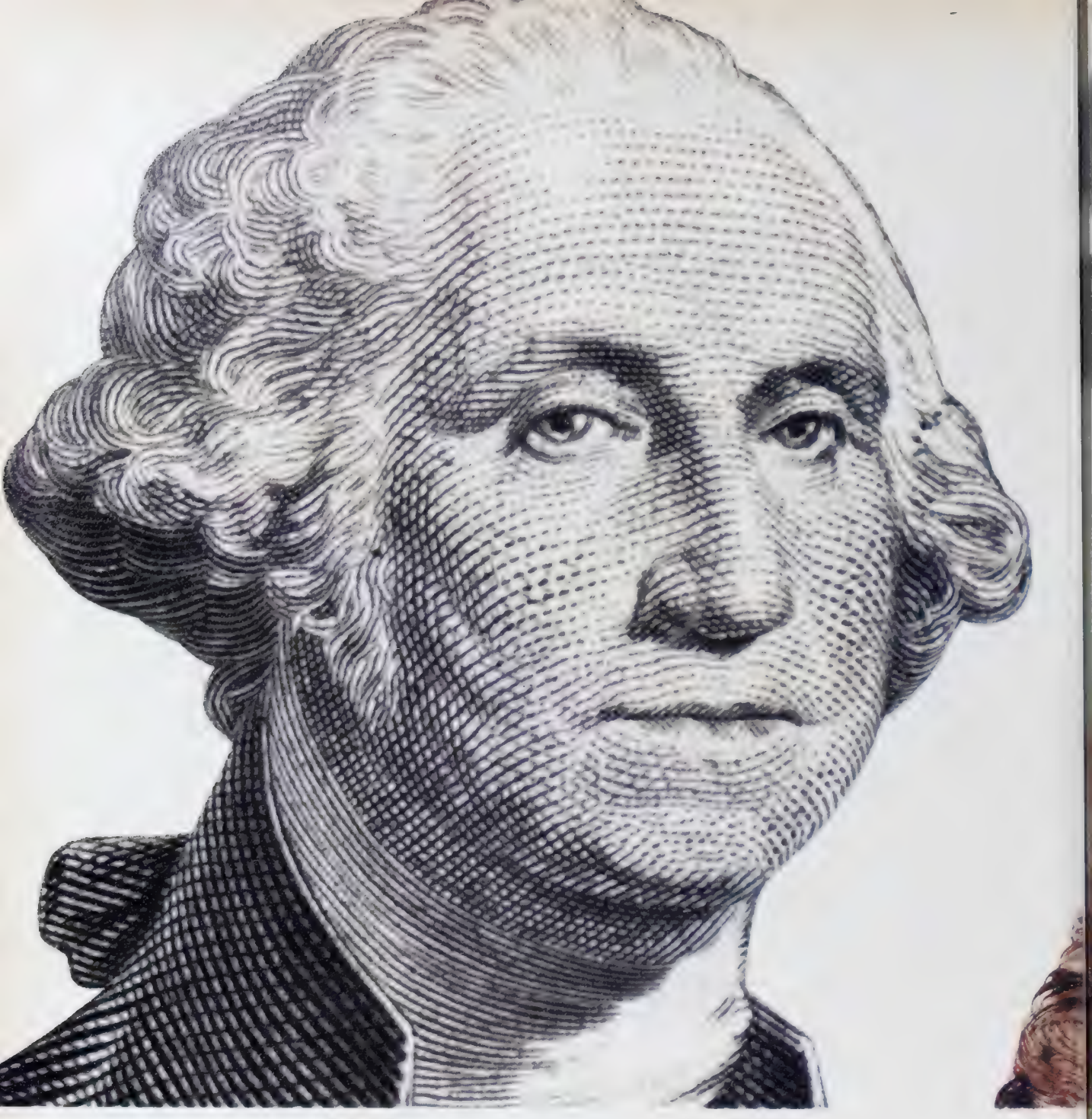
Threatened managements dislike and fear arbitrageurs, whose interests tend to be with the would-be acquisitors. Many tender offers, in fact, are structured so that the arbitrageur can turn a profit. Thomas Mellon Evans, for example, the wily 68-year-old chairman of Crane Co., has been in the takeover game longer than most. He is the first to admit that working out a deal with the arbitrageurs finally cleared the way for Crane's hotly contested acquisition of Medusa Corp., a Cleveland-based amalgam of cement and construction services. By dealing directly with the arbitrageurs, Evans picked up 514,000 shares of Medusa in a single afternoon that enabled him to push through the merger.

Still another example of arbitrage power, unabashedly oriented to quick profits, shows in the latest activist caper—the proxy fight that Carl C. Icahn has opened against the management of the Tappan Co. Icahn, a 43-year-old self-described "lone wolf," has been in the arbitrage business for about ten years now, and is the Mansfield, Ohio appliance manufacturer's single biggest shareholder.

Icahn, together with the brokerage firm he controls, Icahn & Co., owns 7.2% of Tappan's common. Icahn has made no secret of what will be on the top of his priority list if he gets elected to the Tappan board: persuading his fellow directors to solicit takeover bids "at a price to Tappan shareholders well in excess of the current market price." Tappan is a company in transition with a spotty earnings record, and it has been trading at well below book value—characteristic of most takeover candidates.

The whole situation puts the business community squarely in a quandary. On the one hand, it feels threatened by the takeover wave, much of which is motivated by purely financial considerations rather than by underlying good business sense—bargain hunting, to be exact. But on the other hand, businessmen realize that any restrictions on the way a stockholder can dispose of his shares will only further depress an already sick stock market. Reflecting this quandary, business is showing little support for Senator Edward Kennedy's bill to ban all large mergers.

Maybe Wyser-Pratte has something when he says managements should be obliged to declare what their attitude is toward takeover bids so that shareholders can make their buy or sell decisions accordingly. ■



One Dollar note

Let's put our heads together.

The Deutsche Bank would like to talk to you about your financ problems – national and international.

Our international business experience dates back over 100 yea as Germany's largest bank and one of the world's leading bankir institutions. Our strength lies in that experience, an extensiv branch system in the German home market and an internation

Fifty Deutschmark note

etwork of operations in 49 countries throughout the world. Let's
ut our heads together and talk business. You can contact us in one
f the world's foremost
nancial centers:
ew York.

Deutsche Bank

utsche Bank AG New York Branch, 9 West 57th Street, P. O. Box 890, Radio City Station, New York, N.Y. 10019 U. S. A.,
l.: (212) 940-8000, Telex: TRT 177747

Faces
Behind The Figures

Left on base

Five ago Bradford G. Corbett, 40, bought the American League's Texas Rangers and turned it into a pennant contender. But even after increasing attendance at the club's Arlington, Tex. home ball park from 600,000 in 1973 to 1.4 million last year, the team showed a loss. Then, this month its opening game against the Tigers in Detroit was snowed out.

"I want out of baseball," says Corbett, a transplanted New Yorker. "It's become too expensive. The contingent liability is tremendous." He's talking about the cost of those multimillion dollar player contracts. He'll get his wish—some co-owners want to buy him out.

But the Rangers, of which he owns some 5%, is only one of Corbett's problems. Robintech, which provided initial capital, is in worse shape.

Back in 1967, using a Small Business Administration loan, Corbett and some associates founded Universal Pipe & Plastic Co. in Hillsboro, Tex. In 1970 they merged it with American Stock Exchange-listed Robintech.

By 1974 Robintech was earning more than $7 million on $67 million in sales and returning 30% on stockholders' equity. Corbett decided then to expand both his vistas—by buying the Rangers for $9 million and by building a vinyl chloride resin plant for Robintech in Painesville, Ohio.

The resin plant opened to a collapsing market. In 1976 Robintech lost $6 million on $88 million in sales and debt jumped to $38 million, for a debt-to-equity ratio of 1.3-to-1. Though the company turned a profit in fiscal 1978 (ending June 30), by Dec. 31 the red ink was back.

All is not lost. Corbett and his associates hope to sell their Robintech stock to West German chemical company Chemische Werke Huls, which bought 20% of it last year. The Germans came up with $6 million in term loans and convinced Robintech's banks to up its credit line to $18 million from $15 million. That helped Robintech better manage its $53 million in debt, though debt-to-equity is now 1.6-to-1.

Corbett, who owns 78,613 shares—3.6%—of Robintech, wants $17.75 a share for stock that recently sold at $11. But even if the Germans pay the market, Corbett's stock is worth around $884,000, which will keep him in peanuts and Crackerjacks till he connects again.

Bradford G. Corbett of the Texas Rangers
Thrown out at home?

Marshall McDonald of Florida Power & Light
Grandfathered out of a year in the slammer.

Power play

Until the middle of last month, Marshall McDonald, Florida Power & Light's chairman and CEO, wasn't sure that he wouldn't wind up in jail for violating the coal conversion provisions of the Fuel Use Act of 1978. At least he was talking about the possibility with a straight face.

At issue were the regulations promulgated by the U.S. Department of Energy to put the act into operation. McDonald's problem stems from the fact that FPL has never used coal—a lot less economical than natural gas and imported oil—in any of its generating plants. The law, enacted in November, prohibited "new" power plants from burning ei oil or gas. The DOE then proposed se al definitions for a "new" plant, inc ing a cutoff date of April 20, 1977; plant running then could continu burn oil or gas.

With three new plants that went operation after the cutoff and two n under construction, none of which c use coal, FPL was looking at the pros of having to invest something like billion—double its capital rate ba over five years to convert four of plants, replace the fifth and shut t down in the meantime. The operatio a nonqualified plant after May 9—un exempted by the DOE—would h made top executives like McDonald ble for up to one year in jail.

McDonald says that the cutoff was not in the works at all when the was passed. "As we understood it," the 61-year-old lawyer and onetime man turned utility executive, "the o nal intent was that all oil-fired pl signed, committed or under construc would be 'grandfathered' in." But w the draconian rule came down, FPL the rest of the industry hung tough armed themselves with all the PR lobbying muscle they could find.

Last month the DOE came up with grandfather clause that McDonald w ed. The barrage of information and litical pressure, including photograph plants the bureaucrats said did not ex apparently turned the trick. Says Memphis native, who came to FPL president in 1971, "I'd like to think t responded to logic, but they responde the political pressure." Either way, doesn't go to jail.

ip M. Hawley of Carter Hawley Hale
immer view of the energy crisis.

Will power

ring the 1973 energy crunch, Philip Hawley, president of $2.1 billion Car- Hawley Hale Stores, devised a plan t would allow him not only to keep stores open their usual hours but also cut down on energy use. The key: "We nd that huge amounts of electricity uld be saved by cutting down on light- ," he says. The plan is working so well Los Angeles that Congress wanted to ar all about it last month.

The city's Department of Water & wer had wanted to implement such ergency measures as rolling black- s, mandatory business closings and like. Instead, argued Hawley, "set gets and leave it strictly up to the ple. If a man wants to run two TV sets hours a day and keep his lights off, e. If someone else wants to turn off his and keep the lights on, fine."

A nine-man city energy committee set at Hawley's suggestion drew up the n. Reductions of 10% were required of idences and industrial properties, h 20% cuts required of commercial ldings. Penalty: a fine of 10% to 50% he utility bill; the penalties were nev- levied. Within a week, usage was cut % and stayed there more than five nths. Even today the city still uses s power than it did prior to 1974.

Now the 53-year-old merchant wants see his plan adopted nationwide. "My n has been tested in a very difficult area," he said last month, "where there has been a love affair with energy. It worked. I think if you tell the people what is expected and give them targets, they will work to achieve them."

The secret to the plan, says the athletically built, gray-haired Hawley, is fairness—that is, no exceptions. "The newspapers came along and said they should be exempt," he recalls. "We said, 'No.' " And no for retailing too; his own industry took a 20% cut.

Pass the port, please

Manuel Zarraluqui, managing director of London's 300-year-old Croft & Co., aims to make sipping an after-dinner port the next U.S. beverage craze—if not like the recent bubbly Perrier and lime, then at least like almond-flavored amaretto liqueur. "No one," he says, "has ever promoted port seriously in your country. Right now, the market is very small, but we're going to change that." Croft, a subsidiary of Grand Metropolitan, Ltd., the $3.7 billion-a-year U.K. conglomerate that also peddles J&B Scotch and Gilbey's gin, will soon launch what Zarraluqui calls a "substantial long-term campaign, complete with television commercials," aimed at boosting business here.

The potential is heady stuff. Americans import only 70,000 cases of port annually, *vs.* over 1.2 million cases of sherry. About half of the latter is Bristol Cream and its purveyor, John Harvey & Son, is Zarraluqui's former employer and present archrival.

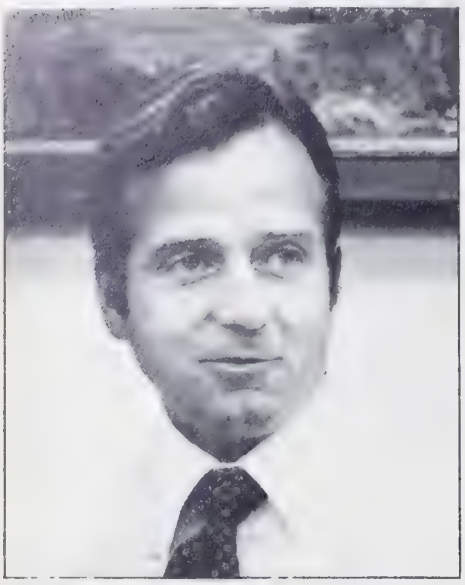
In 1967, when Zarraluqui switched companies, Croft was a stodgy port trader, long on prestige and short on profits. Zarraluqui quickly launched a sherry line, and since then his Croft Original has zoomed to second place behind Bristol Cream in the $300 million U.K. sherry market. No minor accomplishment in a sedate industry that thinks in generations, not decades.

Despite his name—"absolutely 100% Basque"—43-year-old Zarraluqui wasn't born to the wine trade. He studied economics and accounting in Barcelona, and that's the perspective he brings to the potential of the U.S. market. At premium prices, branded ports and sherries can yield gross profits of nearly $11 a case, among the best margins in the liquor business. "Americans go for two kinds of drinks, 'pops' and 'classics,' " he explains. "Once you build a market for a classic like port, the demand is very stable." Thus, from a revenue base of under $125 million, Harvey's, which through its importer Heublein, Inc. has promoted its sherry here since 1957, now produces an estimated 15% of the profit at its parent Allied Breweries, Ltd., a $2.8 billion-a-year company.

Zarraluqui sees two factors aiding him and his U.S. distributor, Liggett Group: First, liqueurs and cordials are the fastest-growing segment of the U.S. beverage market, expanding by 25% annually; second, the trend toward wines and other "lighter" drinks is increasing. "Besides," he adds, "at a sophisticated dinner party today, the host provides cognac for the men and liqueur for the ladies. That takes three or four bottles. With our port, one bottle satisfies everyone, and at $10 it's the least expensive of the lot."

Manuel Zarraluqui of Croft & Co.
He wants the U.S. to take a sharp turn to port.

Faces
Behind The Figures



Peter Ueberroth of LAOOC
Water polo was an easier game.

Sink or swim

In 1956 Peter Ueberroth had his heart set on winning the Olympic trials in water polo. He never made it, but he got something that may turn out even better—the job of president/managing director of the 1984 Olympic Games to be held in Los Angeles.

Remembering the fiscally disastrous Montreal games, the Los Angeles Olympic Organizing Committee (LAOOC) wanted a successful businessman who could run a money-making operation. As founder and chief executive officer of $109.5 million California-based First Travel Corp., Ueberroth had the experience the LAOOC wanted and he was willing to take a pay cut—from the $400,000 a year he says he currently takes out of First Travel, to $130,000 this year.

Ueberroth has a tough race to run. Los Angeles backers of the Olympics have continually promised the taxpayers that the Olympics will cost them nothing. "The question everyone is asking is can we have a quality Olympics and still run it in a fiscally positive manner," says Ueberroth, who certainly knows current business lingo. Listen to this: "If some overwhelming pressure was brought to bear that would cause the games to have a negative impact on the taxpayer, I would not participate in that scenario."

Pressures to spend too much for posh facilities ran up Montreal's tab to $1.5 billion and discouraged other cities from bidding for the games. In fact, Los Angeles was the only serious contender for the 1984 events. "The Olympics must be run like a business and run well economically," says Ueberroth.

That may be easier said than done. While Los Angeles has a wealth of sports and housing facilities on the campuses of UCLA and USC, not all of them are, well, Olympian. At the moment Ueberroth has no budget, but the networks have put up $3 million in deposits for the right to negotiate for the games. "The key thing that has to happen early on is to bring public the plans so people can see the budgets, income and expenses," says Ueberroth. Perhaps Ueberroth ought to keep in mind that in 1932, the last time Los Angeles hosted the Olympics, it showed a profit of around $1.3 million.

Ruffing it

"Hoarder," "crackpot," "doomsayer," are words Howard Ruff, 48, knows well, because over the years they have been used to describe him. But to the 50,000 subscribers who dole out a total of nearly $5 million a year for *The Ruff Times*, his the-worst-is-yet-to-come newsletter, he is virtually a cult hero.

"We've struck a chord across Middle America," proclaims the buoyant and smooth-talking Ruff. He has also struck it rich, he might add, churning out homespun wisdom in his twice-monthly newsletter, two best-selling books and weekly TV show, *Ruffhouse*, televised on nearly 60 stations across the country.

Ruff's inflation strategy is hardly original. It involves putting money into Treasury bills, money market funds, gold, silver, diamonds, real estate, as well as tering and stashing away a year's su of foodstuffs. The food is a hedge ag galloping food prices but—more im tant—against famine and hunger And heaven help the hungry marau who try to break into Ruff's cach rural Alamo, Calif. He has a gun t fend himself.

Sheer nonsense? The 200,000 pe who bought Ruff's first book, *Famin Survival in America* (published in 1 don't think so. Nor do the buyers o new book, *How to Prosper During the ing Bad Years*, which zoomed to nu five on *The New York Times* best-selle within a month of publication. And about the 5,000 devotees who flock the three-day *Ruff Times* annual con tion in February in Anaheim, Calif.

Economic paranoia is big busi these days (FORBES, *Mar. 19*) and p prophets like Ruff are cashing in. year Ruff's company earned a pr profit of $1.5 million. This year, he profits will be greater, what with ventures, such as a barter exchange tem, a board game called "Life Is R and a monthly tape recording espou Ruff thoughts, used by 361 subsc discussion groups in the U.S., Can Guam and Mexico.

A professional baritone who once on *The Ed Sullivan Show*, Ruff has be stockbroker and has hovered around fringes of the self-help game before head of an Evelyn Wood speed-rea franchise that failed and as a wholes of vitamins and diet supplements 1968 he was broke. Then he discov inflation. He began the newsletter years ago and found out what a business doomsaying can be. ■

Howard Ruff of The Ruff Times
Doing well by selling ills.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. The offer is made only by the Prospectus.

$200,000,000

Continental Oil Company

9⅜% Debentures Due 2009

Interest payable October 1 and April 1

Price 99¾% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

SALOMON BROTHERS — THE FIRST BOSTON CORPORATION

GOLDMAN, SACHS & CO. — MERRILL LYNCH WHITE WELD CAPITAL MARKETS GROUP
Merrill Lynch, Pierce, Fenner & Smith Incorporated

BACHE HALSEY STUART SHIELDS Incorporated — BEAR, STEARNS & CO. — BLYTH EASTMAN DILLON & CO. Incorporated

DILLON, READ & CO. INC. — DREXEL BURNHAM LAMBERT Incorporated — E. F. HUTTON & COMPANY INC.

KIDDER, PEABODY & CO. Incorporated — LAZARD FRERES & CO. — LEHMAN BROTHERS KUHN LOEB Incorporated

LOEB RHOADES, HORNBLOWER & CO. — PAINE, WEBBER, JACKSON & CURTIS Incorporated

SHEARSON HAYDEN STONE INC. — SMITH BARNEY, HARRIS UPHAM & CO. Incorporated

WARBURG PARIBAS BECKER Incorporated — WERTHEIM & CO., INC. — DEAN WITTER REYNOLDS INC.

April 5, 1979

What makes Manufacturers Hanover a better master trustee?

Peopleware.

At a $40-billion financial institution, you expect to find the sophisticated hardware and software it takes to manage multiple pension plans. But at Manufacturers Hanover, you also find sophisticated people—at every level—who know how to make this computer capability produce meaningful information—information you can make decisions on. Talk to one of our people today. Call John A. Spiezia, our Master Trust specialist, at (212) 957-1842 for more information.

MANUFACTURERS HANOVER
600 Fifth Avenue, New York, N.Y. 10020

Bill Miller stands firm

THING everybody agrees upon:
s are rising much faster than any-
would like them to. Beyond that
is Babel.
hen the country is bordering on stag-
n as it is now, no one would nor-
y expect the monetarists, followers
ilton Friedman, to argue for a tight-
g of the money supply. One would
ct neo-Keynesians, the people who
und President Carter, to argue
st letting interest rates rise, lest the
be hurt and overall demand exces-
y dampened. Both groups' policy
mmendations would be predictable.
t this time even that certainty is
d us. The Friedmanites are urging
ral Reserve Chairman G. William
r to ease up on the money supply.
neo-Keynesians are urging him to
en the screws even further.
nder why people are confused?
re's what is going on:
owth in the monetary base has slowed down to an annual rate of about 5.2% since October, well below the 9% average rate that has prevailed for years. That means, in monetarist terms, that money isn't being created fast enough to validate rising output and, therefore, production will shrink along the road. That's how monetarists reason. A group of the country's leading monetarists who meet as the "Shadow Open Market Committee" to second-guess the real FOMC has concluded that "further reductions in the annual growth rate of the money aggregates at this time—tightening—would be a mistake." They want to see expansion in the monetary base for the year ending August 1979 reduced to 8%. Prolonging the current slow growth rate will deepen the recession that is at hand, they believe.

Citibank's economics department, a bastion of monetarism, sees gross national product expansion halting by the fourth quarter with "a true monetary restriction in the making." Real growth would turn down in the fourth quarter *(see chart)* and continue on that course through the first half of 1980, according to Citibank's projection.

Meanwhile, back in the neo-Keynesian camp, attention has shifted from stimulating demand to cooling inflation.

Using the technique of leaks and press briefings, Blumenthal, Schultze and McIntyre have been putting steady pressure on Fed Chairman Miller to tighten the money supply further.

Tight money? What kind of *populism* is that? Ah, but intellectuals never lack reasons. The neo-Keynesians have a nice rationalization. If inflation is at 10%, they argue, a 12% nominal interest rate is only 2%—that's cheap money, not expensive borrowing.

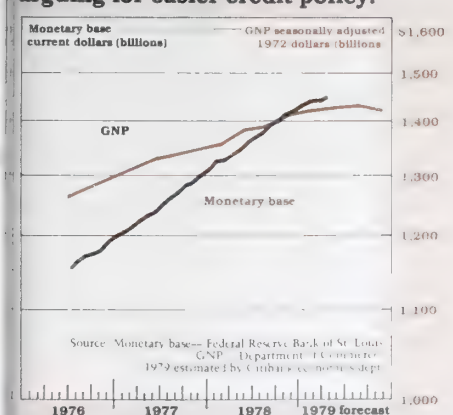
So, Chairman Miller is getting conflicting advice from economists of the two leading persuasions. But as a businessman rather than an ideologue, Miller is following his own counsel. His experience, his feel for business, tells him that the economy is starting to slow down. He understands that the Administration's economic people are asking him to rescue them from the results of their own folly. It was Congress and the White House, not the Fed, that made massive giveaways to the farmers, to Social Security recipients, to the steel industry, to low-paid workers in the form of a higher minimum wage—and who fueled inflation by running vast budget deficits when the economy was in high gear.

As an experienced businessman, Miller is resisting this pressure because he understands the current rate of interest is already pinching business hard; the theoreticians may rationalize about "real" versus "nominal" interest rates, but the fact is that interest has to be paid in actual dollars, not in inflation-adjusted dollars.

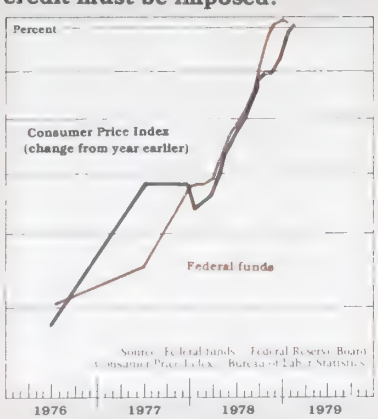
Miller has said many times that he is going to keep a steady but restraining hand on Fed policy and not be swayed by conflicting arguments and short-range movements. He clearly means it. The crescendo of demands that Miller "do something" will certainly mount. But expect interest rates neither to rise nor to drop sharply over the next few months but to come down gradually as the economy slows and inflation eases. ■

Role reversals

Monetarists, fearing that sluggish money growth will pull the country into recession, are now arguing for easier credit policy.



Fiscalists caution that to cool demand and slow inflation, higher interest rates and tighter credit must be imposed.



Beware of the sinkers and floaters. Perhaps the simplest thing is to put your money in long-term Treasury bonds.

PLAYING HIGH YIELDS

By Ben Weberman

SUPPOSE YOU WANT to lock in some of those juicy yields—9% and a big fraction—that are currently available on high-quality industrial bonds. What do you do? Simply go out and buy 20- or 30-year issues? It's not that simple. You may think that you've locked the yield up for decades only to find that bonds can be called away from you much sooner. Just when your 9.5% rate of return starts to look good in a market where new bonds are selling to yield, say, 8%, you are likely to receive a letter from the company saying they are paying off your particular bond. You will get your cash back and will have to reinvest at prevailing rates of 8% or so.

Today you receive 9.4% on 30-year Aa-rated Continental Oil 9⅜% debentures due in 2009 or 9.4% on A-quality General Mills 9⅜s due also in 2009 or 9.85% on Aaa-rated Ford Motor Credits due in 2004.

The trouble is that debt issues such as these have sinking fund requirements. A certain number of bonds must be retired every year prior to maturity in order to avoid the potential crisis of having to roll over a big issue maturing all at once, especially if the maturity coincides with a period of tight credit when long-term funds are not generally available.

The $200 million Continental Oil 30-year issue, for example, has a mandatory sinking fund of $10 million a year. That would retire most of the debt before maturity, for an average life of 20½ years. That's still not too bad, but there's a further hitch.

Investment bankers have been convincing issuers that high interest rates should not deter them from coming to market. A new "optional sinking fund" payment technique can be utilized to call bonds quickly if the borrower wishes. This sinking fund is for the protection of the *borrower*, not of the investor. What it does is permit the issuer to pay off double the mandatory amount, and possibly more, in any one year. For Continental, the sinking fund payment can be 250% of the required amount. That means that if interest rates fall low enough, Continental can use this feature to pay off bonds rapidly, bringing the average life down to 12 years instead of 20½.

The 9⅜% General Mills debentures have this same accelerated sinking fund feature, as do the $150 million J. Ray McDermott 9⅝s of 2004 and the $75 million Hershey Foods 9½s of 2009. If you buy any of these bonds you should be aware that you may end up with relatively short-term investments. And your capital gains potential may be limited accordingly.

A completely different choice is presented by the floating rate notes that so many banks are now issuing. They have a long-term maturity, extending out to 2004 in most cases. Where they differ from bonds is that the interest paid on the notes is reset every six months on the basis of a premium yield over the prevailing six-month Treasury bill.

The floating rate feature makes these 25-year obligations sell more like a six-month money instrument than a long-term credit. Investor appetite for them is seemingly insatiable. The first major offering of this type was a Citicorp note due in 2004 with the interest set at 1.05% over the bond equivalent of the six-month bill rate through 1984, then 1% through 1989 and thereafter 0.75% over the bill through maturity. Furthermore, for the first five years, the minimum rate is 7.5%, dropping to 7% for the next fi years and then to 6.5% for the r maining life. From plans to rai $200 million, Citicorp ultimate went up to $500 million.

Initially, the Citicorp floaters a paying 11.05% to April 30. With si month Treasury bills at 9.40% as th is written, the next six months' i turn should be in the 10.95% zor For the smaller investor, the Citico debt is available in $1,000 units whi the money market certificate mir mum is $10,000.

Because its yield is calculated eve six months and because most buye think of it as a money market instr ment, not as a long-term credit, tl note does sell above and below 10 Since it was first issued Jan. 31, tl Citicorp note has traded as high 100¾ and as low as 99⅜.

If you are considering buying tl Citicorp notes, remember that wh the bottom falls out of the mon market and interest rates decli sharply, you will find your paymen going down every six months, too.

One alternative—which is turnir out to be immensely popular—is variation that Continental Illino Corp., the Chicago bank holding cor pany, has devised. Its floating ra notes are of short maturity, comir due in 1987, but are convertib through May 1, 1986 into 8½% d bentures due in 2004. Initial pla called for marketing of $100 million these convertible, floating rate note Orders far in excess of that amou have been placed.

In return for this conversion priv lege, the rate on the floating notes wi be only 0.50% above the bond equi alent return on six-month Treasu bills rather than 1.05% as with th Citicorp issue.

The sacrifice in yield is the insu ance you pay for protection against sharp decline of interest rates, but r member, these debentures carry th usual options for extra payment c sinking funds. The average debentu may be redeemed long before 2004.

If you are confused by all this—an who wouldn't be—the simplest thin and maybe the best thing, is to pu your money in long-term Treasur bonds. These yield 9% and most a protected against redemption befo maturity. The remainder cannot b redeemed until five years prior to m turity. The yield may be a bit less tha with some of these other bonds bu the quality, the marketability and th call protection all are there. ■

Ben Weberman is economics editor of FORBES *magazine.*

Either they're charging too much or we're not charging enough.

The same kind of men who read Time, Newsweek and Sports Illustrated read Playboy. Only a lot more of them read Playboy.

You be the judge.

Just look at how many fewer men you reach for every dollar you spend when you advertise in Time, Newsweek or Sports Illustrated. And how many more men per dollar you reach in PLAYBOY.

To put it in real numbers, you reach 8 million men in Sports Illustrated, 9 million men in Newsweek, 10 million men in Time. And 14 million men in PLAYBOY.

To put it in real dollars, combined with real people, you reach 4 million fewer men for 22,525 more dollars in Time, 5 million fewer men for 4,295 more dollars in Newsweek, 6 million fewer men for just about the same dollars in Sports Illustrated.

Playboy men.
More of the best prospects than Time, Newsweek or Sports Illustrated.

But, some people may ask, aren't the men who read the newsweeklies better prospects than the men who read PLAYBOY? Aren't they better educated? Don't they hold better jobs? Don't they earn more money?

Four good questions. With four good answers. No, no, no and no.

What's your target market? How about college-educated men 25 to 49? There are 14 million such men in the country. 16% of these men read Sports Illustrated. 22% read Newsweek. 25% read Time. 31% read PLAYBOY.

How about business or corporate officers 25 to 49? There are 8 million such men in the country. 13% of these men read Sports Illustrated. 17% read Newsweek. 19% read Time. 23% read PLAYBOY.

How about men 25 to 49 with household incomes of more than $20,000 a year? There are 12 million such men in the country. 16% of these men read Sports Illustrated. 20% read Newsweek. 22% read Time. 28% read PLAYBOY.

Playboy men. More buyers for more products than Time, Newsweek or Sports Illustrated men.

But, some people may ask, don't the men who read those magazines buy more than PLAYBOY men?

Another good question. With another good answer. No.

PLAYBOY men buy 4 of every 10 pieces of stereo equipment men buy, 1 of every 3 imported cars men buy, 3 of every 10 bottles of scotch, gin, vodka, rum and wine men buy, 1 of every 3 expensive cameras men buy, $34 billion worth of life insurance last year alone.

PLAYBOY men buy more skis than Sports Illustrated men. PLAYBOY men buy more new cars than Newsweek men. More PLAYBOY men own stock than Time men.

And it's that way in virtually every product category and compared to every newsweekly, sportsweekly or men's magazine.

PLAYBOY men are—without question—one of the most powerful buying forces you can find in any one place, at any one time, anywhere.

Because PLAYBOY is one of the most powerful selling forces you can find anywhere.

Now, you tell us. Are they charging too much? Or are we charging too little?

Does this mean you should advertise in Playboy?

Yes. If you want to reach more of the best prospects for less money.

The Playboy reader. His lust is for life.

Source: Playboy, based on TGI, Spring 1978. Latest announced 4-color page rates. PLAYBOY is a mark of Playboy, Reg. U.S. Pat. Off. © 1979, Playboy.

Profit from our experience

Rockefeller Center Management Corporation

Consulting and management services to owners, portfolio managers, investors, sellers, and buyers of office or residential buildings, industrial plants, shopping centers or institutional facilities.

☐ Property management
☐ Marketing programs
☐ Building operations

Rockefeller Center Management Corporation
1230 Avenue of the Americas
New York, N.Y. 10020
(212) 489-5800

A Rockefeller Realty Group Company

Cancer is often curable.

The fear of cancer is often fatal.

If you're afraid of cancer...you're not alone. But some people are so afraid that they won't go to the doctor when they suspect something's wrong.

They're afraid the doctor might "find something." This kind of fear can prevent them from discovering cancer in the early stages when it is most often curable.

These people run the risk of letting cancer scare them to death.

American Cancer Society

With oil said to be in short supply and oil prices at undreamed-of levels, it is surprising that investors have neglected coal.

A COMEBACK FOR COAL?

By Heinz H. Biel

ADMINISTRATION officials, especially guidelines czar Alfred E. Kahn, are understandably miffed by a 26% rise in fourth-quarter corporate profits. One has to concede that gains of such magnitude make it more difficult to talk labor and business into staying within the narrow limits of permissible wage and price increases. Nevertheless, just taking the naked figures as reported and calling corporate profits exorbitant and excessive would be misstating the facts.

It is generally agreed that such earnings tend to be overstated during a period of virulent inflation. Depreciation presently being charged would not be adequate to provide funds for replacing facilities that wear out or become obsolescent. There are good arguments for replacement cost accounting, which not only would give a more accurate picture of *true* profits, but also would save a lot of taxes.

In many instances, however, the effect on the bottom line might be devastating. It would make management appear in a bad light, infuriate stockholders and deter new investors. It's quite a dilemma, with no ready solution in sight. Nevertheless, there is no way to avoid the embarrassment caused by the unexpectedly steep rise in last year's fourth-quarter profits. While they are certainly not "too high" by any reasonable standard and bear no responsibility whatever for the prevailing high inflation rate, those profits do pose a difficult public relations problem for the Administration's regulators.

I also suspect that this year's first-quarter oil company profits will cause similar embarrassment. While it is possible that these good earnings may be due to favorable circumstances beyond their control, it will not be easy to avoid the impression of some hanky-panky in the oil business.

With oil said to be in short supply as a result of Iran's sharp production cutback, and with oil prices reaching undreamed-of levels, it is surprising that investors have neglected coal, the one energy source that is plentiful in this country. That is, they neglected it until the incident at Harrisburg cast a cloud over the future of nuclear power. The negatives of coal are strong. Coal mining is capital intensive as well as labor intensive. The labor situation is so miserable—a 111-day strike last year and an incredible number of "wildcat" strikes in 1977—that investors have not been overly anxious to put vast amounts of needed capital into this industry. Besides, there are price uncertainties as well as never-ending problems and delays because of ecological considerations.

Yet, if we can't get enough oil and have qualms about nuclear energy, we will have no choice but to fall back on coal. I expect coal profits to perk up before long. Such major companies as *AMAX* (54) and *Continental Oil* (34), not to mention *Occidental Petroleum* (21), all of whose profits were adversely affected by their coal divisions last year, should be beneficiaries this year. The first two are desirable holdings, but Oxy is a bit too unpredictable for my taste.

Now that *Diamond Shamrock* (22) has swallowed Falcon Seaboard at what would seem to be a rather hefty price, there are not many fair-size independent coal producers left. Because their 1978 and 1977 results were distorted by the effect of strikes, stocks like *Pittston, Eastern Gas & Fuel* and *Westmoreland Coal* seem grossly overpriced in relation to recent earnings. However, given a fair degree of

Heinz H. Biel is a vice president of the NYSE firm of Janney Montgomery Scott.

abor peace, as well as firm prices, a eturn to the much more satisfactory rofit levels of the 1975-76 period is a istinct possibility. These stocks, as ell as *North American Coal*, whose rofits held up remarkably well last ear, have speculative attraction.

I have not mentioned *Emhart Corp.* 35) for well over a year. This should ot be taken as an indication of di-inished affection. The company has ved up to all reasonable expecta-ons. Of course, it would have been mart to have sold the stock at last mmer's high of 45 and repurchased at this year's low of 33, but if it was ought for investment, I can see no ason for regrets.

There appears to be no question out Emhart's continuing progress at pace that is comfortably above the % to 10% inflation push. With its ar-end backlog at $409 million, me 29% higher than the year be-re, a good gain in sales seems as-red. It is a little early to make more an tentative earnings projections r this year, but a range of $6.50 to ssibly as much as $7 does not seem reasonable.

Being in healthy financial condi-on, Emhart can afford to be liberal ith its shareholders. Therefore, if rnings develop in line with my ex-ctations, the present $2.20 dividend te may be lifted once again before e end of this year. Since 1972 per-are earnings more than tripled; the vidend rate did almost as well. Can yone say that this stock, selling at a ultiple of six and yielding more than % is not fairly priced?

I have also not mentioned *Aetna Life Casualty* (45) for some time. The ock proved to be a satisfactory in-stment since I first wrote about it this column (FORBES, *July 1, 1977*), t payoff time may be near. Last ar's earnings were spectacular at .58 a share, up from $7.76 in 1977 d $3.91 the year before. Dividends ve been raised apace. No wonder e stock rose to an alltime high, and 3-for-2 split is imminent. You uldn't ask for more. Or could you? It ems to me that all the good news we e likely to hear for quite a while is t. Earnings are at a cyclical peak d will probably be flat this year. It is ue that this high-quality stock is lling at an extremely modest multi-e of barely five times earnings, but ar-term prospects are not likely to mulate speculative enthusiasm. In y book Aetna is a solid *hold*, but no nger a strong *buy*. ■

INVESTORS

Are you unhappy with the way your account has been handled?

We are a strong, highly professional, research-oriented brokerage firm; we have all been principals at larger firms. We do our own research, and we believe that opportunity generally lies in discovering stocks that are little known or misunderstood — often before they fit the screens of major institutions — and then holding onto them so long as the fundamentals are intact.

We don't play fads. We rarely buy stocks where we don't know the management. We stay very close to the stocks we like. We are reasonably patient. The enemies of investment performance in our view are greed, fear, and inadequate research.

If you're interested in experienced and attentive money management by principals of our firm, please write or call:

John Schulz, Senior Vice President
BREAN MURRAY, FOSTER SECURITIES INC.
90 Broad Street
New York, New York 10004
(212) 422-4457

Members New York Stock Exchange

COMPARE TAX-FREE YIELDS. YOU'LL GIVE US FIVE STARS.

Fidelity High Yield Municipals offers investors a high tax-free* yield from a fully managed portfolio of municipal bonds, primarily rated A and Baa.

Compare our yield with those of other municipal bond funds. Then, compare features. We offer the benefits of full-time management, no sales charge, a low management fee (45/100 of 1%), convenient liquidity, and the option of receiving dividends monthly or reinvesting them to increase earnings.

The result is a combination of yield and benefits unmatched by other funds. We think it rates five stars. Learn more today.

CALL FREE
(800) 225-6190
In Mass. call collect
(617) 726-0650

*A portion may be subject to Federal, state or local taxes.

★★★★★★★★★★

FIDELITY HIGH YIELD MUNICIPALS

P.O. Box 832, Dept. JB 043079
82 Devonshire St., Boston, Mass. 02103

For more complete information, including management fees and expenses, please write or call for a prospectus. Read it carefully before you invest or send money.

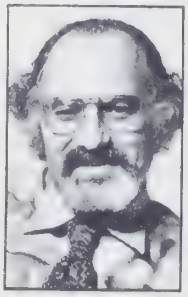
Name _____
Address _____
City _____ State _____ Zip _____

FIDELITY GROUP
Over $4 billion of assets under management

When the banks are selling stocks to buy objets d'art for their clientele, you know the bottom of the market cycle is close at hand.

LOVE ME, BUY ME OUT

By Martin T. Sosnoff



A VENERABLE trust company brags about committing 20% of its clients' assets to material goods—to Oriental carpets, Civil War coinage, weather vanes, all in mint condition, of course. I read the full-page ad Sunday morning and flashed back to an old ploy for a rainy day in the threadbare Forties. If you were a poor Manhattanite, you didn't take Orientals to Parke-Bernet for auctioning, but hauled your banjo down to the hock shop on Third Avenue under the El, and it was good for a sawbuck. A musician friend of mine stored ten banjos in his closet, the equivalent of a hundred-dollar cash reserve, and we all breathed easy for knowing it was there when it was time to pass the hat.

The flight into worldly goods is overdone today. A warehouse of silk Kashan carpets gathers dust, not interest. If you guess wrong, prices can drop 20% at auction year to year. At the last auction I attended, prices averaged below the presale estimates, a leading indicator of toppiness.

By now, everyone knows the institutional investor has spent the last ten years paying for his craziness of the late Sixties. Very little new money has gone into stocks in the past few years, and equity ratios of 75%, common as late as 1972, are history. The new conservatism finds billion-dollar asset pools hovering in the low 50s, a function of asset value shrinkage and cash flow earmarked for fixed-income securities. Whereas nobody blinked when they fought over growth stocks at five to ten times book value, today nobody cares that entire industries sell at 60% of book value or even less on a replacement cost basis.

I have written recently about the savings and loan industry, and we hit pay dirt. The entire market sells at a sharp discount to replacement costs. Instead of warehousing fine Persian rugs, we should be squirreling away stocks. Equities are the new material goods. Paper assets now are cheaper than real assets in a world where the inflation neurosis has permeated the psyches of not just the very rich but you and me, too. When the banks are selling stocks to buy objets d'art for their clientele, you know the bottom of the market cycle is close at hand.

Who are the real money managers? A delicate question worth reflection. The professionals spent ten years painting themselves into a corner for their reckless disdain of value. Now, when stocks *are* cheap, there are few buyers left. I just read two 40-page studies that prove conclusively there is no cash flow available for the market. Foreign investors still fear the dollar's demise, and the pension funds won't increase equity exposure because of their poor past performance. Individuals ditto, and mutual funds have no incremental green stuff—it is all going to the money market fund operators. Stocks can't go up when prime bonds yield almost 10% and the new-issue junk is pegged at 13%.

But, there is a new breed of money manager padding through the bush and nobody has focused on his hunting prowess. He is none other than the faceless corporate executive with excess cash flow from operations or a business such as insurance underwriting, which throws off enormous amounts of cash earmarked for securities investment. In the old days, much of this capital was earmarked for municipal bonds or for a diversified portfolio of bonds and equities. No more. An enormous crap game started when Henry Singleton of Teledyne tapp the investment portfolios of his insu ance subsidiaries and bought 20% more of a handful of sizable entiti such as Litton, Walter Kidde, Broc way Glass, *et al*. If you own 20% more of something these days, yo consolidate your share of earnin even if you never see the money the form of upstreamed dividend Rising earnings with a story crea higher stock prices.

Sometimes the corporate buyer welcomed by the incumbent ar sometimes he is spurned. A 20 ownership eventually can lead to takeover at a reasonable price or it ca culminate in the discomfiture of cold bedpartner's buying his way o of white slavery. The initial impul to buy real assets at a discount rin so true.

The discovery of this new corpora game, "love me or buy me out," so f has led to nothing but profits for th aggressor. Lomas & Nettleton tak out Reliance Group rather than pu Saul Steinberg on its board. Gibralt Financial tried unsuccessfully to kee Kemper and Reliance from buying u 25% of its equity. Gibraltar's stoc moves to a premium price/earning ratio. Ticor moves to thwart a tak over by American General Insuranc and finds a sweetheart merger partn in Pennsylvania Life; then Souther Pacific comes along and tops the bi Add 100% to the market value of T cor. Reliance Group, Kemper, Kidd American General, *et al* file handsfu of 13Ds on a variety of enterprises- banks, savings and loans, whateve Concentration of investment asse below book value rather than divers fication at a premium is the them Employing such brutal leverage lea to *quid pro quos* and finally profits mergers. How much better than r maining a silent investor with a dive sified portfolio. Silent investors ar silent losers.

Money managers are bound to pic up this ploy. Why shouldn't we a take positions of 5% or more in th capitalization of undervalued and ur derowned properties? Why be a silen investor in General Electric an American Telephone? All you get is box lunch at their annual meeting an a chance to ask one question that yo already know the answer to. If yo own 5% or more of a medium-siz company you can walk into the pres dent's office, take off your shoe an pound on his desk. He has to listen. coherent dividend policy takes shap

Martin T. Sosnoff is chairman of Atalanta Capital Corp., New York, and the author of Humble on Wall Street.

here are stock splits; acquisitions for anagement's aggrandizement are lashed. Otherwise, concentrated oldings find their way into unfriend- hands and the ins are turned out.

The new wave of concentrated in- stment has very bullish overtones r the market. Entire industries find much higher level of valuation based n their eventual envelopment by or liverance from the insatiable Mi- ses. Savings and loans, title insur- ce, oil and gas plays, life insurance, en airlines are in. The list will wid- n before long to include all the natu- l resources and basic industries such the metals, which sell well below ok value and replacement cost. A stinguishing characteristic of the esent markets is that money con- nues to flow out of heavily owned stitutional stocks.

I anticipate the next question: How n one play the music sheet while ome burns? The news is all bad. ho is to say when the Federal Re- rve Board's policy of gradualism will ol things off? So far, it is a disgrace- l failure. Nobody believes inflation ill subside. The consumer buying nic goes on and the corporate sector edgy. Raw materials prices are scary d a riotous materials inventory nge comparable to that of 1974 could velop industry. The smartest thing e Fed has done in the past year is its cent capping of the six-month sav- gs certificate. The action came three six months before expected, clearly gnifying housing as the sacrificial mb this cycle. It could cool things off, t don't count on it. If it doesn't ork, the hard-liners on interest rates ill be right and as investments, ocks can't compete with prime nds at 10½%—9¾% is bad enough.

In short, until the economy cools f, this is a market for speculating on keovers or undervalued industries, t for investing for the long pull in iciently priced, institutionally held ocks. The corporate manager has arned this game of buying assets on e cheap; the professional investor ts on the fence, scared silly and go- g nowhere with his blue chip stocks udently diversified—just as the ok says.

The speculators, like the King Mi- s crazies, sometimes die in rags but few of them may also end up sur- unded by eight-zero domains. The eculator at least has a chance of nproving his capital position. In in- tionary times like these, to be pru- nt is to be a sure loser. ■

Get peak yields plus daily liquidity with only $2,000.

Here at the top, you'll find important advantages.
- ☐ High money market yields.
- ☐ Immediate liquidity—no withdrawal penalty.
- ☐ Toll-Free telephone redemption/transfer.
- ☐ Free check writing.
- ☐ No-Load. No sales charge or redemption penalty.

You get these benefits whether you invest $2,000 or $2,000,000. For current yield, phone toll-free **1-800-638-1527.** If busy, or in Maryland, call collect 301-547-2136.

A6

Rowe Price Prime Reserve Fund, Inc.

100 E. Pratt Street, Baltimore, Maryland 21202.

Name_____

Address_____

City_____ State_____ Zip Code_____

For more complete information, including management fee and other charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

There's reason for HOPE

Give to:

PROJECT HOPE

Department A, Washington, D.C. 20007

OWN YOUR OWN

MONEY BUSINESS

"BECOME A FINANCIER"

UTILIZE OVER 2,000 SOURCES OF CAPITAL

Ideal for executive type person. Operate from your own dignified professional office. Clients come to you for Business Capital Assistance. Must be sincere with a well-rounded business background. Instant Hi income potential for right person.

$18,000 CASH REQ.

Call Mr. Van (213) 463-4841
or write: Computer Capital Corp.
Dept. 5, 6922 Hollywood Blvd.
Los Angeles, CA 90028

FORBES
CLASSIFIED
appears in the first issue of every month.
Look for it in the upcoming issue.
For rates and other information on FORBES CLASSIFIED, call
Sarah Madison
(212) 620-2371
FORBES: CAPITALIST TOOL

My data strongly suggest that, for all the differences between then and now, we are indeed back to 1966.

WILL HISTORY REPEAT?

By Srully Blotnick

SOMETHING fascinating has been happening to the sample of 1,100 investors that I follow. Over the last 12 months there has been a dramatic increase in the quantity of capital they have available for investment. Why is that? And where did the money come from?

To begin with, investment capital first forms in your mind, not in your bank account. Most of the investors I study had let $10,000 to $95,000 spend many years sitting in ordinary savings accounts. When I asked them what the money was for, they replied: "It's for a rainy day."

When interest rates soared in the past, only a small percentage rushed to find a way to make more on their "rainy-day money." Only 24% did in 1970, while 27% did in 1974. That the rate of inflation was higher than the interest rate they were collecting bothered them, but not enough to do much about it. It was rainy-day money. Having it was what counted. It was investors with large sums, in or near major cities, who most actively sought higher rates of return.

Over the last year a drastic change has occurred: The introduction of high-yielding certificates of deposit pegged to Treasury bill rates caused a radical revision in the way my investors view their rainy-day money. Previously dormant, the money has slowly but surely become *activated.*

"It is not investment capital," 74% of my sample told me in February 1978. "It is there for an emergency." But when I asked the same question in early April of *this* year I got a quit different answer: 81% had reclassifie their rainy-day money into "invest ment money."

At first glance that may not seem very meaningful shift. But unless miss my guess, it will prove to be fact of enormous importance. A pow erful financial force is shaping up, on that I believe will be responsible fo determining the direction of stoc prices over the next three years.

Here's why I think this conceptua change is so important:

Stocks are cheap only if there i money waiting to buy them. The fac that the public is sitting on a lot o idle cash—as it is—does *not* mean th public is ready and willing to buy. Th money must first come to be seen b its owners as investment capita That is precisely what my data ind cate is now happening.

The way it works is this: If yo were given $100 a day, every day, an it was money you didn't need, whe would you feel you had enough t invest? The average answer given b the investors I track was approx mately $3,600. Each person had threshold value, a point beyon which he suddenly said, "Now I hav enough to go ahead." Not every su plus dollar people have do they vie as investment capital. Yet, beyond certain point, that's what all of may become. As one put it, ' wouldn't invest $2,900, but $3,000 o more, I would."

Two factors are currently respons ble for raising or lowering that thresh old. The first, a pulling force, is exer ed by the availability of high-yieldin CDs. The second, a pushing force, the high rate of inflation, whic means that there is a significant op portunity cost attached to just lettin your money sit in a savings account

As we've said, the pushing forc was *not* sufficient in the past to mak more than approximately one-fourt of the investors I study move. But th

Dr. Srully Blotnick is a practicing psychologist and author of the new book, Winning: The Psychology of Successful Investing.

combined push-pull effect of the two has indeed been strong enough to cause tens of billions of dollars to currently become activated—that is, reclassified in its owners' minds as investment capital.

The last time a shift of this magnitude occurred in the way people view their money was in the period from January 1961 to October 1966. (Six years instead of one: Financial events ripple through the investment world far more quickly now.)

The pull during that six-year span was because of the increasingly high yields on T-bills (nearly 6%!) and the spread of a growing number of exciting stories of easy profits to be made on stocks. People reclassified themselves as investors and their rainy-day money as investment capital. Having activated their money, they used it to attack once no recession appeared. The average of $8,400 they had in their savings and checking accounts went chasing after Amex, o-t-c and especially new issues. In 1967-68 the market, as measured by the Dow Jones industrials, came close to doubling and many stocks did a great deal more than double.

Fueled by the massive influx of new investment money, the market for those smaller stocks soared. As it rose, so did the expectations of the people playing the market. By late 1968 the average of my sample expected to double his money in about nine months, the highest level of expectations I have recorded in 17 years. By contrast, at the 1970 low the average of my investors expected 2.3% per annum.)

Are we headed for a repeat of the frenzied investment atmosphere of 1967-68? My data strongly suggest that, for all the differences between then and now, we are indeed back to 1966 in terms of investor sentiment. In short, unless the recession everyone is predicting turns out to be a depression (in which case some of the now-activated billions will be needed to buy food and pay the rent), the money will do now what it did then—move from activated to attack status and pour into stocks.

When that happens, the excitement will spill over from the gold and gambling stocks into a whole range of speculative equities. That day may not be far off. The rainy-day money has already become investment capital. The next transformation—of investment capital into speculative money—is only a question of time. ■

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

April 9, 1979

$100,000,000

Chemical New York Corporation

Floating Rate Notes Due 2004

Interest Rate through October 31, 1979 at 10.90%

Price 100%

plus accrued interest from April 17, 1979, if any

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Morgan Stanley & Co. Incorporated — Goldman, Sachs & Co. — Lehman Brothers Kuhn Loeb Incorporated

Merrill Lynch White Weld Capital Markets Group (Merrill Lynch, Pierce, Fenner & Smith Incorporated) — Salomon Brothers

Bache Halsey Stuart Shields Incorporated — Bear, Stearns & Co. — Blyth Eastman Dillon & Co. Incorporated

Dillon, Read & Co. Inc. — Donaldson, Lufkin & Jenrette Securities Corporation — Drexel Burnham Lambert Incorporated

E. F. Hutton & Company Inc. — Kidder, Peabody & Co. Incorporated — Lazard Frères & Co.

Loeb Rhoades, Hornblower & Co. — Paine, Webber, Jackson & Curtis Incorporated

Shearson Hayden Stone Inc. — Smith Barney, Harris Upham & Co. Incorporated

Warburg Paribas Becker A. G. Becker — Wertheim & Co., Inc. — Dean Witter Reynolds Inc.

WE'RE FIGHTING FOR YOUR LIFE

Have Your Blood Pressure Checked

American Heart Association

It is very clear that farmers saw the high prices cattlemen were getting and decided they wanted to join the parade.

HOG PRICES HIT IN THE CHOPS

By Stanley W. Angrist

JUST WHEN you started to believe that inflation would force you to give up eating meat, along comes the U.S. Department of Agriculture March Hogs & Pigs Report. It has to be some of the most pleasant reading since Richard Smith's *The Dieter's Guide to Weight Loss During Sex*. It was crammed full of good news for everybody except hogs and hog farmers. Well, you can't please everybody.

The report caught the market by surprise for a number of reasons. First, it reported that the number of market hogs had increased 11.7% over last year. More importantly, the number of hogs kept for breeding is up 20.1%. This report confirms what few in the trade had suspected: Hog farmers are expanding their production massively. It also suggests that hogs that should have been marketed during the December-to-February period were withheld for breeding.

The weight breakdown *(see table)* also suggests market hogs on farms ready for slaughter in the April-through-June period should increase by at least 8%, perhaps by 10%. (This figure is deduced by examining the percentage increase in the heavier hogs listed in the table.) The breeding herd and farrowing intentions showed a greater year-to-year increase than the market hog inventory. ("Farrowing" is the term farmers use to describe the act of giving birth for hogs. "Farrowing intentions" is an indication of the amount of breeding that farmers intend for their hogs.) It is very clear that hog farmers saw the high prices cattlemen were getting for their animals and decided they wanted to join the parade. (Their zeal to increase the size of their crop will have the usual effect: It will produce rain on their parade in the form of lower prices.)

The "intentions" listed for the March-to-May and June-to-August periods are perhaps the most interesting numbers in the report. The March-to-May farrowing intentions are up 24% while those of the June-to-August period are up 19%. Those numbers can only be interpreted to mean a lot more hogs are on the way. That parade of hogs should keep pork prices stable, and (with a little bit of luck) perhaps even lower this summer.

A number of analysts have been intrigued by the unusually wide margin that cattle now commands over hogs. Indeed, the premium has reached as high as 25 cents per pound in recent weeks. There is a great temptation to view such a spread as money in the bank and, therefore, to buy the hogs and sell the cattle. Admittedly, compared with recent years, this is a very large premium for cattle over hogs. But as Merrill Lynch points out in a recent analysis, this premium should be compared with periods in which grain supplies were ample and the cattle herd was not being liquidated, such as in 1970, 1971 and 1972. During portions of 1971, hogs sold at less than 50% of cattle. For all of 1971 cash hogs averaged 57% of live steer prices. (The current ratio, using the June contracts, is around 68%.) Thus hog prices (varying between 60% and 70% of live steer prices) are not out of line, and doing a hogs/cattle spread is not a particularly risk-free trade.

The high price of beef will, I believe, encourage the trend toward increased pork and chicken consumption at the expense of beef. For the U.S., per capita consumption in 1977 was: beef 125.7 pounds; pork, 61.8 pounds; and chicken (primarily broilers), 41.1 pounds. In comparison with 1976, per capita pork consumption was up 3.6%, chicken was up 1.9%, while beef consumption was down 2.8%.

If cattle versus hogs seems too risky at this time, what methods are available to capture profits from this increased supply of pork? The most obvious one is simply to go short the live hog contract. I would use the August option and I would not risk more than 1½ cents ($450) on any contract.

A more reasonable strategy, it seems to me, would be to use a spread of long June/short August. I would try to put this spread on with August no more than 200 points under June. I would risk no more than 70 points ($210 per spread) from my entry point. I believe that the spread could easily go out to 400 points premium June for a $600 profit per spread, giving a reward-to-risk ratio of 3-to-1. The margin on a short position in hogs is $1,000 while a spread requires a margin of $500. Spread commissions are about $60. ■

Stanley W. Angrist is a professor at Carnegie-Mellon University, and the author of Sensible Speculating in Commodities.

The Mar. 1 Hogs & Pigs Report

More hogs are on the way, which should provide some restraint on rising beef prices.

	1976	1977	1978	1979	Increase from 1978
		(in millions)			
Market hogs	34.1	37.0	37.7	42.2	11.7%
By weight					
Under 60 lbs	13.2	14.2	14.6	16.7	14.2
60-119 lbs	7.7	8.6	9.0	10.0	11.4
120-179 lbs	7.3	8.4	8.3	9.1	10.0
Over 180 lbs	5.4	5.8	5.8	6.3	8.4
Kept for breeding	6.7	7.0	6.9	8.3	20.1
Sows farrowing					
Dec*-Feb	2.1	2.3	2.3	2.7	16.4
Mar-May	2.9	2.9	2.9	3.5†	23.6
June-Aug	2.5	2.6	2.7	3.2†	19.0
Sept-Nov	2.5	2.6	2.8		

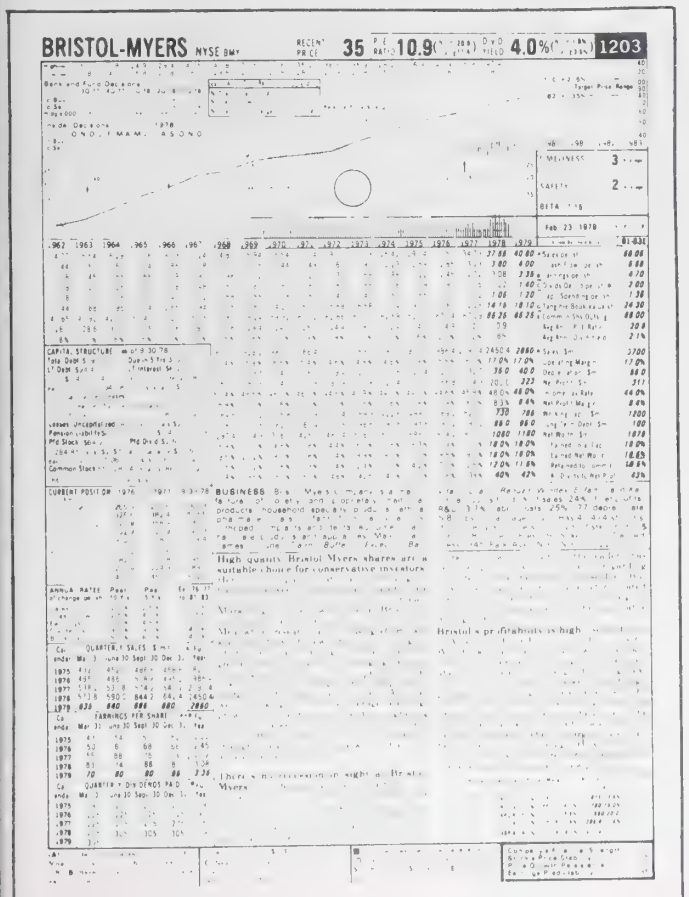
*December of previous year. † Farmers' intentions as of Mar. 1, 1979.

Receive 9 weeks of Value Line for $29

This trial subscription is open to you only if no member of your household has subscribed to Value Line in the past two years. We make this special offer because we've found that **a high percentage of new subscribers who try Value Line stay with us on a long-term basis.** The increased circulation enables us to keep our subscription fees to long-term subscribers lower than would otherwise be possible.

Under the special trial offer you will receive the 2400-page Investors Reference Service (illustrated above) at no extra cost. You'll receive all the new full-page reports to be issued in the next 9 weeks on the more than 1700 stocks and 91 industries regularly monitored by The Value Line Investment Survey. **Filing takes less than a minute a week. All this material is so organized in your binder that you can quickly turn to a continually updated report on almost any leading stock.**

This is a sample full-page report of one of the 1700 stocks regularly reviewed by Value Line, reduced from 8½ x 11"


BRISTOL-MYERS NYSE BMY

Thus you'll find it convenient to have The Investors Reference Service at your fingertips whenever you need facts and figures, as well as Value Line's projected performance ratings on more than 1700 widely held stocks in 91 industries.

In the **Selection & Opinion** section, which accompanies your weekly reports, you'll also get analyses and forecasts of the national economy and the stock market . . . guidance on current investment policy explaining Value Line's bullish long-term position on the securities markets . . . plus Value Line's specific stock selections.

Take advantage of this special introductory offer—and receive, as bonuses without extra charge, the 2400-page Investors Reference Service and the "Evaluating Common Stocks" booklet, which explains how even inexperienced **investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings, one for Timeliness (Performance in next 12 months), the other for Safety.**

This subscription is tax-deductible if utilized to aid in the management of your investments.

Fill in and mail the coupon below.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc.
711 Third Avenue, New York, N.Y. 10017

☐ Begin my 9-week trial to The Value Line Investment Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

SPECIAL EXTRA BONUS

This famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $315. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)
☐ Enter my subscription now. Bill me for $315. (Does not include the calculator.)

SIGNATURE

NAME (please print)

ADDRESS APT. NO.

CITY STATE ZIP

GUARANTEE: If dissatisfied for any reason, I may return material within 30 days for full refund of the fee I have paid. Subscription tax-deductible and non-assignable. Foreign rates on request. (NY residents add sales tax.) 516M30

If economic policy shifts dramatically, there is no reason why the Dow couldn't reach 1500, sometime in the 1980s.

MICKEY MOUSE SYNDROME

By Richard B. Hoey

WHY HAVEN'T stock prices dropped sharply in the last several months as inflation has been exploding? For one thing, corporate profits have been strong. But a more important reason is that credit has been relatively easy. An inflow of foreign liquidity has eased credit in the U.S. money markets since January, and the Federal Reserve has done nothing to sop it up. In addition, the existence of huge cash reserves in the stock portfolios of institutions has bolstered market sentiment.

I'm convinced that foreign exchange flows have a powerful impact on the U.S. stock market. In October 1978 currency investors were selling dollars aggressively. This drained liquidity out of the U.S. credit markets and helped drive the stock market down. The recovery of the dollar in November and December did little to help the stock market because the currency's rebound seemed very hesitant. Only heavy central bank intervention ensured a rising dollar; currency investors continued to fear high U.S. inflation.

But by early January, the dimensions of the OPEC oil problem became obvious. The foreign exchange markets shifted their attention from inflation to energy supply. Energy-rich countries saw upward pressure on their currencies, while the currencies of energy-poor countries declined. Thus, the dollar and the pound rose while the yen sank.

Because of the energy situation, funds flowed into the dollar in early 1979. These new buyers of dollars bid aggressively for CDs, driving down interest rates on short-term paper. As often occurs, ease in the credit markets was accompanied by an upward bias in stock prices.

I fear, however, that the stock market is now vulnerable either to renewed dollar weakness or to a Federal Reserve decision to restrict credit.

The behavior of the dollar is keyed to U.S. energy and economic policy. Controls on U.S. oil prices have stimulated U.S. oil consumption and imports, worsening our balance-of-trade deficit. As a result, the nation has been going deeper into debt to Arab sheikhs every year in order to feed our appetite for oil. Our fuel import bill rose from $8 billion in 1973 to $43 billion last year and could hit $65 billion to $70 billion by 1981.

The overall outlook for the dollar and the stock market for the next year, and the next decade, therefore, is keyed to economic policy and energy policy. Terrible economic and energy policy has become a bipartisan tradition in the U.S. Democrats and Republicans have taken turns in mortgaging the future by shortsighted policies. That's why the stock market has been flat for the past decade despite sharp increases in earnings and dividends.

If we persist in such shortsighted policies, the stock market might be flat for another decade. But if economic policy shifts dramatically, there is no reason why the Dow Jones industrial average couldn't reach 1500 sometime in the 1980s.

The crucial policy question is whether the government will shift from its disastrous policy of stimulating demand to encouraging the growth of supply by incentives to capital spending. We need both direct incentives for capital spending and incentives for investing in common stocks. When stock prices are low, companies can expand easily by buying other companies, rather than building new plants. Higher stock prices push them toward new capital spending.

America has begun to take on certain of the characteristics of a banana republic. In those countries, savings are hoarded rather than invested in productive enterprises. There's nothing immoral about putting your savings in diamonds, gold or antique Mickey Mouse watches. But when a whole society develops inflation hedge psychology, the growth of productive capacity slows down; that's the curse of Latin America. The tax laws must be changed to make financial saving and stock ownership more rewarding than hoarding tangible assets. Providing funds for expansion of productive capacity is somewhat more valuable to society than feeding an inflation in the price of Mickey Mouse watches or stimulating gold production in South Africa. Lower capital gains taxes are only a first step in the right direction. Taxes on investment income should be indexed so that only gains in excess of the rate of inflation are taxed. That would stimulate the growth of U.S. productive capacity.

While you're waiting for reform of the economic system, there are still some good values in the stock market. My favorites include a number of stocks selling at four to five times next year's estimated earnings. I list some of those favorites in the accompanying table. Any of these stocks are vulnerable to a market decline, but each one of them has the potential to move significantly higher over the next several years. But watch the dollar like a hawk—another crisis would be a clear signal to sell stocks. ■

Richard B. Hoey is a vice president and investment strategist at Bache Halsey Stuart Shields.

Good value

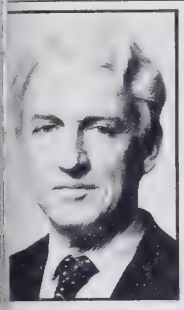
While you're waiting for Dow 1500 the stocks listed below offer good opportunities to play the market.

Company	Current price	Estimated EPS 1979	1980
Western Bancorp	26	$5.30	$6.1
ITT	29	5.30	6.1
Security Pacific	28	5.85	6.6
Coastal States Gas	22	3.85	4.4
Flagship Banks	12	2.20	2.8
Kaufman & Broad	9	1.70	1.9
Moore McCormack	34	7.00	8.0
Ponderosa	19	3.75	4.4
American Greetings	12	1.90	2.1
Chessie System	30	5.50	6.0
Lone Star	23	4.50	4.5
Norfolk & Western	24	4.50	5.6
Pennzoil	37	6.00	6.0

Growth stocks, selling near their alltime low premiums, are still the place to be.

ANOTHER LOOK AT GROWTH

By John Train



IN THE LAST YEAR and a half I have recommended the purchase of specific growth stocks on six occasions, and have recommended no sales. IBM was recommended on five of the six occasions and Schlumberger on four of them. No other stock was mentioned more than twice. Taking median prices, IBM has advanced from about 240 to 320, or one-third, and Schlumberger from about 95 to 105, or two-thirds.

I find that in all I recommended 21 stocks (too many, perhaps), all of top quality. Eighteen are up, one is slightly down, and two are unchanged. If you had bought one share of all 21, you would have paid about $990. The lot would now be worth about $1,220, or a gain of a bit over 23%.

More recently I did a whole column on De Beers, the only issue so singled out, but which I wouldn't call a growth stock. It's also up about 23%.

I think that the safest approach is to continue with the same philosophy for the time being. The stocks have advanced, sure, but their earnings have grown too, so the multiples haven't risen much. Growth stocks are still selling at close to their alltime low premiums compared with the general market. They are still the place to be. I mean, of course, growth stocks that really are growing and that aren't selling for excessive prices. Many excellent stocks are selling at multiples below their own earnings growth rates. Most "official" growth stocks are "old champs": Their growth is slowing but their prices are high because of their visibility. One should be a bit more original than simply to buy stocks on the basis of past reputation.

For the average FORBES reader there is more difficulty and risk than reward in buying lower-quality issues—companies with uncertain long-term prospects. Leave that to the pros. Stick to companies with long, steady growth rates, excellent business franchises, sustained high profit margins (net of realistic depreciation) and strong balance sheets. Above all, buy enterprises that are making their money in *cash*, not taxable accounting "profits" on which the company pays tax but which don't find their way to the bank. Look carefully at the "Sources and Use of Funds" statements in the annual reports you will be receiving.

De Beers ADRs

A number of readers have asked how one calculates the yield on De Beers ADRs. It's anything but simple.

Foreign investors buy South African securities in terms of the Financial Rand (formerly the Securities Rand), whose quotation fluctuates according to supply and demand, and is currently around 80 cents. But dividends are repatriated at the Commercial Rand (formerly the Free Rand) rate, now floating around U.S. $1.18. That means you buy the stock with cheap currency but get dividends in more valuable currency. (Principal is repatriated at the Financial Rand rate at the time of repatriation.)

U.S. investors can credit South Africa's 15% withholding tax against their U.S. taxes by filing Internal Revenue Service Form 1116.

U.S. reporting services often quote yield figures for De Beers ADRs that may confuse investors for three reasons: 1) They reflect the date the stock goes ex-dividend, not the date when declared or the date when paid; 2) they ignore the value to the investor of the tax credit; 3) they tend to round figures downward, for conservatism.

De Beers pays two dividends a year. The 51-cent "1978" dividend figure on my stock quotation machine, for instance, was calculated as follows:

U.S. $0.403	Final payment for 1977 (declared first week in March 1978; stock ex-dividend last week in March; paid in May)
+0.23	First payment for 1978 (declared first week in September; ex-dividend last week in September; paid in November)
$0.633	
x .85	Deduct 15% South African withholding tax
$0.538	
– .02	ADR fees (1 cent per payment)
$0.518	Yield before rounding down
$0.51	Rounded-down yield figure

It is logical for the services to ignore the tax credit, since the yield is a cash matter, and they can't go into one's tax situation; the taxpaying investor, however, should understand it.

Here's an illustration of its effect.

De Beers has announced that its final payment for 1978 will be Rand 45 cents, or about U.S. 53 cents at the current Commercial Rand rate. The true aftertax yield works out as follows, assuming the investor is in a 50% (U.S.) tax bracket:

U.S. $0.23	First payment for 1978 (R .20), paid in November 1978.
+0.53	Final payment for 1978 (R .45), paid in May 1978
$0.76	
x .85	Deduct 15% South African withholding tax ($0.114)
$0.646	
– .02	ADR fees (1 cent per payment)
$0.626	Correct yield figure
x .50	Deduct 50% U.S. tax
$0.313	
+0.114	U.S. tax credit equal to $0.114 South African tax withheld
$0.427	Net return

A 50% bracket investor thus receives 43 cents per ADR selling for 6½, or a 6.57% aftertax yield.

An investor who pays no tax receives .626 cents on each ADR, or a yield of 9.54%.

These yields are lower than those cited in my column, since the stock has appreciated substantially since then. It's still attractive. ■

John Train is president of Train, Smith, Investment Counsel, New York, and the author of Dance of the Money Bees.

Breaking into world markets can be easy.

Breaking into world markets can be easier than you think. The problem has been trying to advertise effectively and efficiently in so many different and varied national media.

TIME offers reach, precision, and flexibility...worldwide.

There are 160 international editions of TIME. Big editions that go to Europe, Latin America, Canada, the Pacific. Other editions that can carry your advertising to regions, nations, even individual cities. And wherever it appears, TIME is the same influential news magazine that's read each week by 26,000,000 people around the world. Put your money precisely where the market is.

For more information, call Dave Gibson, U.S. Area Director for the International Editions. (212) 841-4956.

TIME. The news magazine for the internationally minded.

Forbes / Index

of companies covered in news stories and by the columnists in this issue.

Life & Casualty 141
Breweries 133
X 140
ican Express 129
ican Intl Group 80
ican Natural Resources 79
..... 25
son, Clayton 129
Oil 64
o 48
nd Oil 64
..... 25
li 20
Group 129
ce Foods 43
en's Natl Bank (St. Louis) 129
fic Recovery Anaerobic Process 45
Hawley Hale Stores 133
al Louisiana Energy 66
ische Werke Hüls 132
ie System 83
nonwealth Edison 44
mental Oil 140
..... 16
(London) 133
s-Wright 47
ers 149
nd Shamrock 140
Petroleum 10
an Genl Petroleum 72
..... 106
Emhart Corp 141
First Travel 134
Florida Power & Light 132
GHK 67
GE 56
General Motors 41
General Trading (Korea) 57
Gerber Prods 129
Grand Metropolitan Ltd 133
Greater New York Savings Bank 25
Grumman 41
Gulf 66
Heublein 20,133
Hogg Robinson 80
Hyundai 56
IBM 149
Icahn 129
Japan Natl Oil 74
K mart 97
Kennecott Copper 47
Kerr-McGee 10
Kolon (Korea) 60
Lloyd's of London 80
McGraw-Hill 129
Martin Exploration 67
Medusa 129
Mergenthaler Linotype Group 110
Michigan Consol 79
Mitchell Energy & Devel 66
Mostek 10
Natomas 66
Norfolk & Western 86
North American Coal 141
Occidental Petroleum 140
J.C. Penney 97
Peoples Gas 45
Pittston, Eastern Gas & Fuel 140
Robintech 132
Ruff Times 134
Sabine Petroleum 66
Samsung (Korea) 57
Schlumberger 149
Seaboard Coast Line Inds 83
Seagram 20
Sears, Roebuck 97
Shell 66
Southern Ry 83
Standard Oil of Calif 66
Standard Oil of Ind 66
Tappan 129
Thermonetics 45
Torch Prods 87
Tosco 10,64
Underwood, Neuhaus 66
Union Camp 46
Union Pacific 10
Universal Pipe & Plastic 132
Western Temporary Services 25
Westmoreland Coal 140
Xomox 100
Zapata 16

Do you know anybody who is somebody in business who does not read Forbes Magazine?

Forbes: Capitalist Tool

I caught sight of a haze upon his face—of that mist which arises invariably from the blissful feeling that one is superior to others.
GEORG C. LICHTENBERG

I've never any pity for conceited people, because I think they carry their comfort about with them.
GEORGE ELIOT

The truest characters of ignorance are vanity, and pride and arrogance.
SAMUEL BUTLER

You don't have to be very smart to outsmart yourself.
ARNOLD GLASOW

A Text . . .

He that keepeth his mouth keepeth his life: but he that openeth wide his lips shall have destruction.
PROVERBS 13:3

Sent in by Mary A. Marshall, Annapolis, Md. What's your favorite text? The Forbes Scrapbook of Thoughts on the Business of Life is presented to senders of texts used.

It is great cleverness to know how to conceal one's cleverness.
LA ROCHEFOUCAULD

We can all perceive the difference between ourselves and our inferiors, but when it comes to a question of the difference between us and our superiors we fail to appreciate merits of which we have no preconceptions.
JAMES FENIMORE COOPER

Joe . . . was ignorant enough to feel superior to everything.
JOHN CIARDI

Thoughts on the Business of Life

*Those who act as if they know more than their boss seldom do. Those who do, have sense enough not to make it obvious—to the boss.**
MALCOLM FORBES

It is much easier to be critical than to be correct.
DISRAELI

An M.B.A.'s first shock could be the realization that companies require experience before they hire a chief executive officer.
ROBERT HALF

Undertake not to teach your equal in the art himself professes; it savors arrogancy.
GEORGE WASHINGTON

Great spirits have always found violent opposition from mediocrities.
ALBERT EINSTEIN

I love to make a mistake. It is my only assurance that I cannot reasonably be expected to assume the responsibility of omniscience.
REX STOUT

I much prefer a compliment, insincere or not, to sincere criticism.
PLAUTUS

*The Sayings of Chairman Malcolm, *a collection of over 500 thoughts embodying the wit and wisdom of Malcolm Forbes. Now available at $5.95. Send check and order to Forbes Inc., 60 Fifth Avenue, New York, N.Y. 10011. Add appropriate sales tax on New York State orders.*

Chief executives spend more time than subordinates realize in studying qualifications and watching such men as deserve promotion.
WILLIAM FEATHER

The recipe for perpetual ignorance is: to be satisfied with your opinions and content with your knowledge.
ELBERT HUBBARD

Do not try to entrap others with your haughty knowledge. To your wide surprise, they will entrap you with their lengthy ignorance.
SRI CHINMOY

You do ill if you praise, but worse if you censure, what you do not rightly understand.
LEONARDO DA VINCI

Success often comes from not knowing your limitations.
FRANK TYGER

You've no idea what a poor opinion I have of myself—and how little I deserve it.
WILLIAM S. GILBERT

I love criticism just so long as it is unqualified praise.
NOEL COWARD

When the king retires at night his crown rests on a nail fastened to the wall. Why, on a nail, which is nothing but a common object? Why not on a minister's head? Because the minister might take himself seriously and believe he is the king. No such danger with a nai
ELIE WIESEL

Presumption is our natural and original malady. When I play with my cat, who knows if I am not a pastime to her more than she is to me.
MICHEL DE MONTAIGNE

Farrah smiled. Jimmy grinned.

And America celebrated its 200th birthday. Gathering the strength and resources to meet the challenge of tomorrow. While renewed vigor and vitality lit the nation, Avco helped lead the way into a new era of confidence.

Confidence for the millions who fly in airliners, helicopters, and executive aircraft powered by piston and gas turbine engines from Avco Lycoming.

Confidence for people in five nations, whose lives are a little easier with loans from Avco Financial Services.

Confidence for Paul Revere life insurance policyholders in all fifty states and Canada. And for thousands living in Avco Community Developers' award winning residential communities.

Confidence for fifty years. From consumer loans and insurance protection to research and manufacturing. Where Avco leads, confidence follows.

Today, consumer loans from Avco Financial Services help make higher education possible.

AVCO CORPORATION

Where Avco leads, confidence follows.

Raytheon invented this new way to pop corn.

Our microwave popcorn popper is new. It's one of the latest accessories developed by Raytheon engineers to help Amana Radarange® microwave oven users enjoy microwave cooking to the fullest.

But, there's an interesting story behind our new popcorn popper. Because, in a way, we've now come full circle with our involvement in microwave cooking.

Back in 1945, in a Raytheon plant on the outskirts of Boston, an inquisitive, self-taught genius named Percy Spencer made a remarkable discovery. When popcorn was placed in a field of microwave energy, it popped! And microwave cooking was born.

A billion dollar baby.

The first Radarange microwave ovens were fo commercial and institutional use, a market pioneered and developed by Raytheon.

Then, in the mid-60's, Amana joined Rayth The resulting combination of technical skill a appliance know-how set the stage for a break- through in home cooking, and in 1967 Amana introduced the first 115-volt countertop micro oven for home use.

4096

l years ago.

The rest, as they say, is history. Today, the rket for microwave ovens exceeds $1 billion a r. And Amana continues as a solid leader in industry.

But Raytheon's appliance business is much re than microwave cooking. From Amana—ctric ranges and cooktops; energy-saving rigerators, freezers, and air conditioners. From loric—another Raytheon company—gas and ctric ranges, plus the revolutionary new com-ation microwave-electric MF range. Together, y make Raytheon one of the country's larger major appliance manufacturers.

Major appliances—one of five basic business areas at Raytheon. The others are electronics, energy services, heavy construction equipment, and educational publishing. For copies of our latest financial reports, please write Raytheon Company, Public Relations, 141 Spring Street, Lexington, Massachusetts 02173.

RAYTHEON

RCA launches television's first 4-hour video cassette recorder.

When television becomes more versatile, it's only natural to find RCA right there.

The SelectaVision video cassette recorder is the first video cassette recorder with a 4-hour capacity on a single cassette.

Viewers can tape any program off the air, replay it at their own convenience – and use the same cassette again and again for additional recording. They can record from one channel while viewing another. A built-in timer makes it possible to tape up to 4 hours automatically while everyone is asleep or away. There is even a black & white camera option that enables anyone to shoot a home-grown television special.

RCA is marketing this exciting new consumer product at a highly attractive optional retail price – and with heavy promotional and advertising support. The goal: to carve out a significant share of what promises to be a billion-dollar market.

From home entertainment products to Coronet floor coverings, from Hertz rental cars to weather satellites, RCA is dedicated to innovation, quality and steady growth. © 1977 RCA Corporation

The many worlds of RCA